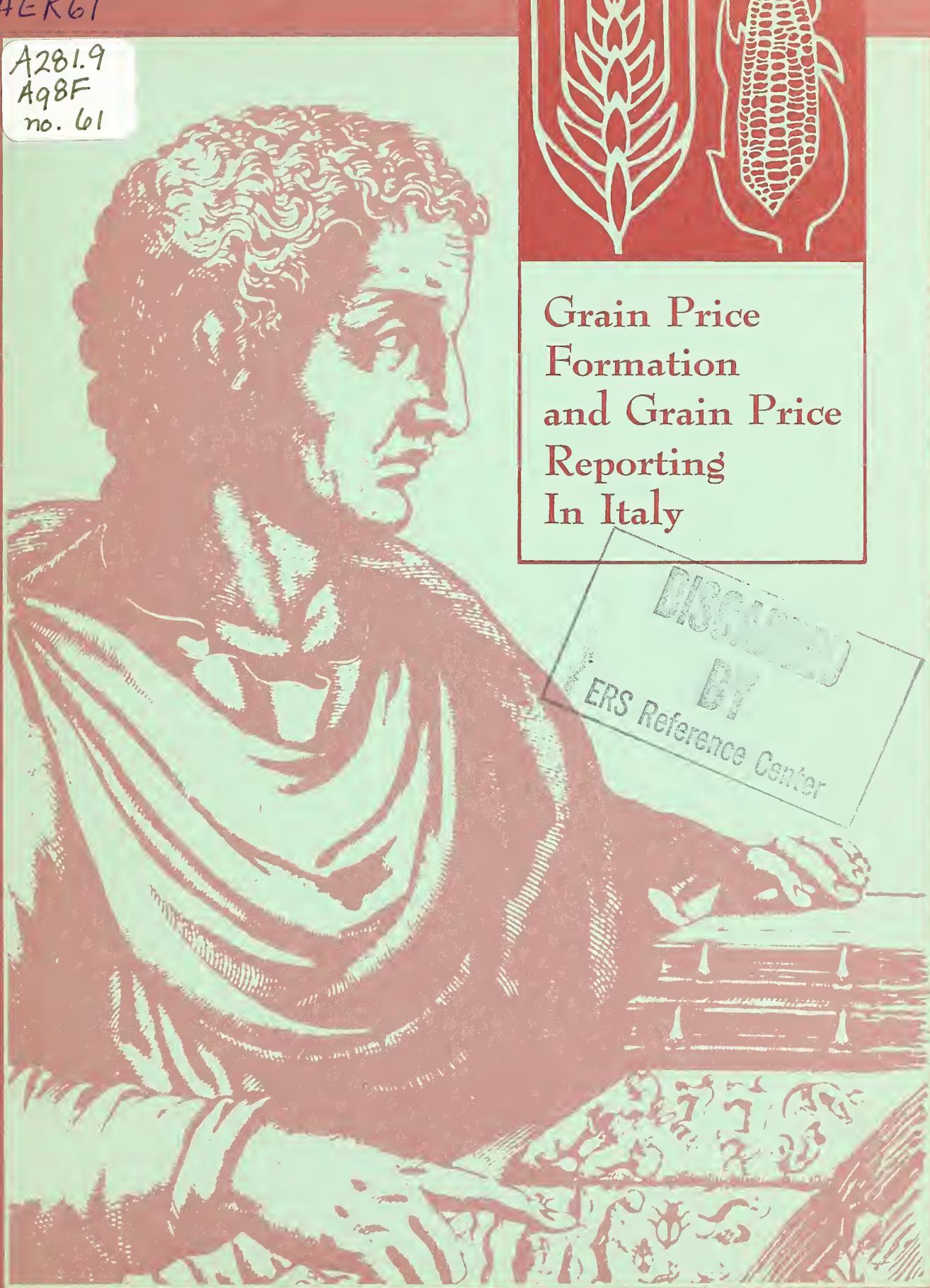


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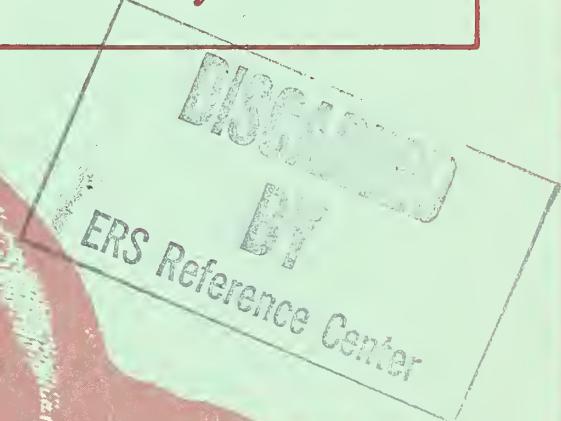
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Grain Price Formation and Grain Price Reporting In Italy



ABSTRACT

Until recently, Italian corn prices were low and wheat prices high, a relationship similar to that in the United States. Corn prices in Italy have been raised substantially since 1966. After expiration in mid-1972 of a temporary discount in the import levy, Italian feed grain prices will tend to exceed applicable European Community (EC) target prices and thus, the price level that the EC itself has considered desirable as a theoretical maximum price level. In light of Italian and EC aims to reduce grain imports and the drop in Italian corn imports from the 1966 peak, the outlook for foreign suppliers is worrisome. Grain prices reported by the Italian Central Institute of Statistics serve simultaneously as farm and wholesale prices although they tend to be farm prices. Because of severe imperfections in price reporting, data users are advised also to consider both trade prices and prices reported by IRVAM, a governmental research institution in Rome. Available Italian wheat and corn prices are inventoried and analyzed.

Key words: Italy, prices, grain prices, wheat prices, corn prices, farm prices, producer prices, wholesale prices, Government prices, regional prices, support prices, grain policy.



Pliny the Elder (23-79), a Roman author who in his *Natural History* first reported on grain prices in Italy. Courtesy -- the Bettman Archive.

GRAIN PRICE FORMATION

AND

GRAIN PRICE REPORTING

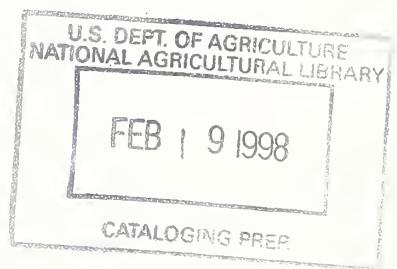
IN ITALY

by

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and

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Economic Research Service
Foreign Development and Trade Division

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ABBREVIATIONS AND SYMBOLS

AB, AB1. or J.O.	Amtsblatt der Europaeischen Gemeinschaften (Official Journal of the European Communities)
Agr	Agricultural Attache Reports
CAP	Common Agricultural Policy
C.E.E.	Communauté Economique Européenne (European Economic Community). This abbreviation (without any nonabbreviated mention) is shown as author of the series C.E.E. Informations, Marchés agricoles, Prix, published about 20 times a year by the EC Direction Generale de l' Agriculture.
EC	European Community or European Communities
FAO	Food and Agriculture Organization of the United Nations
Federconsorzi	Italian Federation of Agricultural Cooperatives
FEOGA	European Agricultural Guidance and Guarantee Fund
hl	hectoliter (equals 2.8378 bushels)
IT	Agricultural Attache Reports from Italy
INEA	Istituto Nazionale di Economia Agraria
IRVAM	Italian Institute for Agricultural Market and Price Research and Information (Istituto per le Ricerche e le Informazioni di Mercato e la Valorizzazione della Produzione Agricola)
ISTAT	Italian Central Institute of Statistics (Istituto Centrale di Statistica)
J.O.	Journal Officiel des Communautés Européennes; see also AB
kg or kilo	kilogram (equals 2.2046 pounds)
kg/hl	kilograms per hectoliter (78 kg/hl equals 60.60 pounds per bushel)
Lit	lira (100 lire equal \$0.16)
m.t.	metric ton (equals 1.1023 short tons). All tons in this report are metric.
OECD	Organization for Economic Cooperation and Development
sh.	Shilling (British currency; 1 shilling equals 12 U.S. cents -- 14 cents before mid-November 1967)
SOEC	Statistical Office of the European Communities
ton	metric ton
UNECE	United Nations Economic Commission for Europe
VO	Verordnung (Regulation)

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This report was prepared from information available as of August 8, 1969.

SUMMARY

The American farmer's share in the Italian corn market grew to almost one-half of 5.4 million tons of imports in 1966. Since then, total corn imports by Italy and the U.S. share in them have declined; and the market outlook for U.S. suppliers is worrisome. As a domestic crop, wheat is more important than corn in Italy. Inversely, wheat imports have been less important and widely fluctuating. At 1 1/3 million tons in 1968, they were at a high level; the U.S. share in them was about one-sixth. Italy's aim is to reduce its dependence on foreign wheats. During 1965-68, it accounted for 23 percent of the wheat imports of all six EC countries and 46 percent of their corn imports. Thus, Italian grain markets are of concern to the United States.

Since mid-1962, grain price formation in Italy has been influenced by the EC's CAP on grains. Following a 5-year transition period, the wheat price level has been unified throughout the EC since mid-1967. However, by a special arrangement, Italian feed grain users will enjoy a somewhat lower price level than that for the rest of the Community until mid-1972.

In Italy, grain prices are reported by the trade and by Government agencies. Primary collection of grain prices takes place at the weekly market sessions of the exchanges. Trade prices are typically reported as minimum-maximum ranges, with the midpoints of such ranges used in statistical series. Such midpoints may not be the most representative prices.

The basic price series for grains reported by the ISTAT must do double duty as wholesale prices and as prices received by farmers. Since nearly all grain prices reported in that series are farmers' sales prices and since the sales specification is not limited to large lots, these prices are more similar to "prices received by farmers" in the United States than to U.S. wholesale prices. However, Italian grain prices are often farm-gate prices, while prices received by U.S. farmers typically relate to local markets off the farm. ISTAT's wholesale-producer prices are collected under very decentralized conditions that cause much local variation in results. Price reporting is entrusted to Provincial Chambers of Commerce, Industry, and Agriculture, basically private organizations to which a governmental function is delegated. In some Provinces, price reporting is independent of trade price reporting; elsewhere, it is identical with trade price reporting; and in the important Milan market, Government nondurum wheat and corn prices are reported a fixed 200 Lit/100 kg less than trade prices; that differential is to account for freight costs between farm-gate and Milan.

The reporting of nationally representative average prices is under-developed because little is known about the seasonal and geographical variation in sales. Thus, the basis for a weighting system is lacking. Nevertheless, ISTAT reports simple averages of nine leading nondurum wheat markets and eight leading corn markets as national average prices that are implicitly representative. During the crop years, 1961/62-1967/68, the annual average nondurum wheat price and the median of prices in 34 Provinces tended to differ by much less than 1 percent; and the lower of these two series tended to exceed the Padua price (a surplus area price considered representative by FAO) by substantially less than 1 percent.

From 1966/67 to 1967/68, the first marketing year under the EC's unified CAP on grains, the national average producer price for nondurum wheat declined only 2.1 percent, compared with a 6.8-percent decline in the highest intervention (support) price and a 3.9-percent decline in the lowest intervention price. A decline in production (caused by the fall 1966 floods), imports, skillful marketing, and imperfect price reporting may all have contributed to this result.

In addition to its regular price series, ISTAT, since 1966, has published separate weekly series of producer and wholesale prices "of interest to the Agricultural Policy of the EEC." These price series are for individual markets only; there are no national averages. The difference between these two separate producer and wholesale price series and ISTAT's regular double-duty producer-wholesale price series is nowhere explained. Wholesale-producer price margins between the two EEC-oriented series differed widely between markets.

Because of the highly decentralized character of ISTAT's price collection, IRVAM, a Government-sponsored semi-independent research organization, started its own price reporting in leading markets in 1966. Since 1967, IRVAM has published weekly and monthly series of national average agricultural prices that are implicitly representative. IRVAM shows larger price changes from 1966/67 to 1967/68 than ISTAT -- a greater price drop for nondurum wheat and a greater increase for corn -- which may be more realistic than the changes shown by ISTAT. In 1967/68, IRVAM prices differed less from ISTAT prices than in 1966/67. With its more centralized control and carefully drawn specifications, IRVAM may have more representative national averages than ISTAT. This conclusion must be tentative, however, since IRVAM has published nothing about the methodology of its national price averaging.

INEA, also a semi-independent Government-sponsored research organization, publishes annual national and Regional prices in its yearbook. Its national prices for all wheat tended to be slightly less than the average of ISTAT's non-durum and durum wheat prices weighted by production. This seems to be due to the inclusion in the INEA series of intervention sales at prices lower than national average producer prices obtained in the free market. The national corn prices in the INEA and ISTAT series were never alike during 1961-66. In some years, they differed little, in other years much. Comparisons of INEA's Regional nondurum wheat and corn prices with the range of ISTAT's basic prices or its single price in each of seven principal Regions showed INEA's prices outside the ISTAT range or substantially differing from single ISTAT prices in the majority of all comparisons. A somewhat improved conformity was observed between INEA and trade prices.

By and large, however, differences between the price series that may be considered nationally representative tended to be small. No consistent biases could be measured in any of the price series analyzed. Yet, this very absence of biases introduced significant differences in price movements over time, as reflected in various series. For instance, the IRVAM price series showed steeper price changes from 1966/67 to 1967/68 than the ISTAT series.

Because masses of Italian grain price series exist and their meaning and relationship are often not clear, they should be used with extreme skepticism. They are vulnerable to weaknesses ranging from unusually frequent typographical

errors to conceptual inconsistencies. The thorough analyst of Italian grain prices will have to study all available price series. He may wish to pay particular attention to the less publicized IRVAM price reporting, as IRVAM time series started in 1966/67 are building up to greater length.

Until recently, Italian corn prices were low and wheat prices high -- a relationship similar to that in the United States. However, the CAP on grains has brought ever-increasing feed grain prices to Italy, while the price level of wheat has been slightly lowered. This relatively recent, major price realignment has so far not resulted in any major production adjustment. Higher corn prices mean higher costs for producing meat and other livestock products. This development threatens to halt or at least to slow further expansion in Italian per capita meat consumption -- a painful outlook for Italian consumers, whose per capita meat consumption, even though twice as high as in the mid-fifties, is still only about one-half that of the French.

Since most corn traded in Italy has been imported, all corn price formation is decisively influenced by the levy-paid import price; that is, the c.i.f. price plus variable import levy plus port costs. Ocean freight rates to Italian ports are higher than to Rotterdam. In addition, port costs in Italy are higher than in Rotterdam. Thus, landed grain prices in Italy are higher than in Rotterdam. For feed grains, a discount in the variable import levy, effective until mid-1972, tends to offset these higher costs for the time being. Ultimately, however, the Italian corn price level will tend to exceed the target price. The target price represents the price objective of the CAP in the Community's principal deficit market -- Duisburg in northwestern Germany. Thus, future Italian corn prices will exceed the price level that the EC itself has considered desirable as a theoretical maximum price level.

As might be expected, the actual price surface for domestic nondurum wheat is reflected in the EC price support program. For Italy, support or intervention prices are highest on the islands and in the south and lowest in the north. Yet, with actually reported prices, the pattern of high prices in the deficit south and low prices in the surplus north is not as clear as on the intervention price surface. One reason is that ISTAT reports prices for different grades of wheat in different markets. By contrast, trade prices in many markets, as published in the Milan weekly trade paper, *Il Mercato dei Cereali*, pertain to a uniform grade of nondurum wheat. But even the ISTAT price series with its grade differences between markets, by and large, shows a pattern of high prices in the south and low prices in the north, particularly with the start of the unified CAP for grains in July 1967.

Cattle, hog, and milk prices increased substantially relative to grain prices during the period of the transitional CAP, as indicated by the ratios of these prices to nondurum wheat prices. Similar chicken and egg price ratios, by contrast, remained relatively stable or declined. Under these circumstances, cattle, hog, and milk production should have been encouraged; poultry and egg production, on the other hand, would seem to have enjoyed no comparable stimulus. Actually, cattle, hog, and milk production remained relatively static while poultry and egg production grew rapidly and significantly during the period, the result of managerial, organizational, and technological advances.

GRAIN PRICE FORMATION AND GRAIN PRICE REPORTING IN ITALY

by

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INTRODUCTION

In the dynamic development of the EC toward greater economic and political unity, Italy stands out as being more different from the other five member countries than these are from each other. The Italian gross national product per person, despite its enormous real growth since 1957, is still by far the lowest within the Community. Similarly, Italian meat consumption per person has risen remarkably but remains far below the Community average. Until recently, this meat-consumption growth was associated with low feed grain prices that greatly encouraged feed grain importation and increased production of meat, particularly poultry meat. Italy's grain economy is now being harmonized with that of the other member countries. This means, above all, sharply increased feed grain prices. Price harmonization is not yet complete since Italy has been granted a 5-year discount in the feed grain import levy required by the EC. This discount currently amounts to \$10 a m.t. Although feed grain imports by Italy have declined from the 1966 record level, they are still large. Moreover, until very recently, arrangements have tended to keep French feed grain exports to Italy at a low level. Thus, Italy's feed grain imports have almost entirely come from outside the Community. The Italian reaction to the EC's CAP will be discussed in detail.

Wheat is the preponderant grain crop in Italy. It is grown throughout the country and during 1965-67 accounted for about two-thirds of total grain production and for about 70 percent of total grain acreage. Nondurum wheat (defined later) alone accounted for about half of total grain production and acreage. Because of this importance, the inventory-taking and analysis of Italian grain prices reported on here emphasize nondurum wheat.

Corn is by far the most important feed grain crop, accounting for about one-fourth of 1965-67 grain production and about two-thirds of 1966-68 grain imports. In comparison, production and imports of other feed grains are small indeed. Thus, corn prices are also considered.

For an understanding of Italy's grain economy, production and import trends of wheat and corn are analyzed. In this connection, the role of the United States as a source of both of these grains in the Italian market is investigated.

The price adjustments that the Italian grain economy is undergoing and the importance of the country as a large grain importer would appear sufficient for a study of grain price formation and grain price reporting in Italy. Such a study, however, is made difficult because of methodological factors. Italy publishes large masses of grain price data, but a decentralized reporting system obscures their meaning. Thus, this study was undertaken mainly to clarify, as much as possible, grain price reporting concepts and practices in Italy.

Against this background, price formation and price reporting are explained. Questions are raised to make the user of Italian grain price data aware of their severe limitations. Regional and grade differences in prices, but above all, differences in price reporting between the trade and the Government, and price differences pertaining to marketing stages are investigated. The searching analyst of Italian grain prices is thus guided to the study of several price series before he applies inductive or conclusive reasoning processes to any one series alone, merely because of its ready availability.

THE SETTING

Italy's Importance as a Grain Importer

The Stake of the United States

The American farmer has an interest in the Italian miracolo economico (economic miracle). The miracolo has expanded the Italian demand for grain, a demand that in part has been met by U.S. grain exports to Italy. U.S. grain trade with Italy is dominated by U.S. exports of feed grains, especially exports of corn. The American farmer's interest is therefore focused primarily on the Italian feed grain market, and the focus is sharpest on corn (tables 1 and 2).

For Italians, the miracolo economico has meant an increased per capita income. Italy's average annual growth rate (per capita gross national product in constant dollars) during 1957-67 was 5.2 percent. (This compares with an EC average of 4.2 percent.) 1/ In 1967, the well-paid Italian ate 88 pounds of meat, more than twice as much as 12 years earlier. 2/ But even this current consumption rate is considerably less than the average of 105 pounds consumed annually by all EC citizens during 1960-64. During that period, Frenchmen ate 173 pounds and Americans, 186 pounds annually. 3/

The increased demand for meat in Italy has been met in part by increased imports of both live and butchered cattle. 4/

1/ Agency for International Development, Office of Program and Policy Coordination, Statistics and Reports Division. Gross National Product, RC-W-138, July 25, 1968, p. 14.

2/ Relazione Generale Sulla Situazione Economica del Paese (1967). Mondo Economico, Rome, Apr. 6, 1968, and ISTAT. Annuario Statistico Italiano, various issues. Includes offals.

3/ OECD. Food Consumption Statistics 1954-66, Paris, 1968.

4/ Italy's imports of live cattle increased from 575,000 head in 1964 to 1,658,000 head in 1968. About half the 1968 cattle imports came from EC countries. Eastern European countries are also major suppliers. Only 820 head came from the United States. About 268,000 m.t. of fresh, chilled, and frozen beef and veal were imported into Italy in 1968. EC countries and Eastern Europe were major suppliers of the fresh and chilled portion; Argentina, Uruguay, and Brazil, of the frozen portion. Agra Europe, London, June 7, 1967, p. S/4 and IT9013, Rome, Feb. 25, 1969.

Table 1.--U.S. share of Italy's total feed grain imports, 1951-68

Year	Total feed grain imports	Feed grains from United States	U.S. share of total
	<u>1,000 m.t.</u>	<u>1,000 m.t.</u>	<u>Percent</u>
1951	191	158	83
1952	75	1	1
1953	426	144	34
1954	347	1	0
1955	417	16	4
1956	767	50	7
1957	724	36	5
1958	1,034	63	6
1959	1,422	150	11
1960	2,424	53	2
1961	2,585	161	6
1962	3,305	753	23
1963	4,584	1,343	29
1964	4,247	996	24
1965	6,210	2,382	38
1966	6,696	2,755	41
1967 1/	6,290	1,477	23
1968	6,252	2,137	34

1/ Based on revised data from ISTAT. Statistica Mensile del Commercio con l'Estero, Dec. 1968.

Source: Econ. Res. Serv. Statistics on the European Economic Community, Vol. 1, U.S. Dept. Agr., ERS-For. 43, Dec. 1962, and U.N. printouts (special tabulations for Econ. Res. Serv.).

Table 2.--Corn imports as a percentage of total feed grain imports, Italy, 1957-68

Year	Total corn imports		Corn imports from the United States		
	Amount	Percentage of total feed grain imports	Percentage of total feed grain imports from U.S.		Percentage of total corn imports
			Amount	Percentage	
			1,000 m.t.	Pct.	
1957	346	48	36	100	10
1958	690	67	39	62	6
1959	1,065	75	105	70	10
1960	1,704	70	15	28	1
1961	1,729	67	106	66	6
1962	2,744	83	612	81	22
1963	3,663	80	1,082	81	30
1964	3,476	82	924	93	27
1965	5,153	81	2,162	90	42
1966	5,407	81	2,360	86	44
1967	5,244	83	1,239	81	24
1968	4,892	78	1,878	88	38

Source: 1957: U.N. *Statist. Papers*, Ser. D, Vol. VII, No. 4. *Commodity Trade Statistics*, Jan.-Dec. 1957. 1958-66: SOEC. *Foreign Trade, Analytical Tables, Import (annual volumes)*. 1967: ISTAT. *Statistica Annuale del Commercio con l'Esterno*. Vols. 1 and 2. 1968: ISTAT. *Statistica Mensile del Commercio con l'Esterno*, Dec. 1968.

During 1968, Italy's livestock and meat imports amounted to over half a billion dollars; these and feed imports totaled nearly a billion dollars and contributed significantly to the Italian trade deficit. 5/ To diminish the deficit, the Italian Government adopted a livestock expansion program. The industry has shown some signs of improvement, and the 1968 meat import figures record a slight decline from 1967 levels.

Because Italy's domestic feed grain production was static during 1958-68, 6/ the increased demand of the livestock industry for feed such as corn had to be met by feed grain imports; these imports increased about tenfold from 1955-56 to 1967-68 (table 1). 7/ Italy is now the world's major importer of corn.

Beginning in 1962, an increasing share of these corn imports came from the United States because the EC regulation of that year, by initiating a common grain market, ended the Italian licensing preference on corn imports from Argentina and South Africa. This preference had been granted by Italy in return for import preferences these two countries had given Italian manufactured goods. In 1951 and 1953 however, the U.S. share in Italian feed grain imports had been 83 percent and 34 percent, respectively, but at that time, total feed grain imports were small (table 1).

During the transitional period of the Common Agricultural Policy (CAP), mid-1962 to mid-1967, Italian corn prices were raised very little toward the higher level long known to become effective upon unification. The exact level and the date of unification -- mid-1967 -- had been agreed to by the EC Council of Ministers in December 1964. Moreover, through December 1965, the Italian Government maintained seasonally uniform corn prices by not applying to corn prices the seasonal escalation provided for other grains in Italy and for all grains in other EC countries under the transitional CAP for grains.

The increase in Italian domestic production, and the increase in Italian domestic stocks built up during 1966 in anticipation of the unified CAP's higher prices resulted in a slight decline in total corn imports into Italy during 1967. Furthermore, the increased 1966/67 feed grain production in other areas of Western Europe, Argentina, and Yugoslavia, at a time when U.S. corn prices were high relative to prices of corn from other countries, caused a decline in the U.S. share of Italian corn imports in 1967. 8/

5/ Based on U.N. data. Includes poultry.

6/ Based on U.N. data.

7/ In 1955-56, imports provided 10 percent of Italy's total corn supply, by 1967-68, 56 percent.

8/ The wholesale price for August arrival, quoted in Milan on May 26, 1967 for U.S. No. 2 yellow corn (c.i.f. Genoa free out; that is, not yet unloaded) was \$1.32 per m.t. or 2 percent more than that quoted for Argentine Plata corn (c.i.f. Genoa, gross; that is, on the pier). By contrast, during 1961-64, U.S. corn averaged \$4 or 5 percent less than Plata corn and was less than Plata corn during each of these 4 years in the Milan market. Il Mercato dei Cereali, Milano, as cited in a paper by Dr. Romano Graziani, U.S. Feed Grains Council, Rome. The paper was presented at the U.S. Trade Center, Milan, on Apr. 29, 1965.

Italian corn imports declined again in 1968, and at 4.9 million tons were 10 percent less than during the record year 1966. A part of the decline, particularly from 1967 to 1968, was offset by increases in imports of other feed grains (table 3). Imports from the United States, at 1.9 million tons, were 20 percent less than in 1966; but compared with 1967, they were up considerably. Also, the U.S. share in Italian corn imports recovered from 24 percent in 1967 to 38 percent in 1968. During the marketing year 1968/69, imports from the United States and the U.S. share in total corn imports suffered a severe setback as a result of the long U.S. dock strike in the winter of 1969. 9/

Italy's demand for U.S. corn rose from small tonnages in the 1950's to over 2 million tons in 1965 and 1966 and has fluctuated somewhat since that time. During 1950-52, U.S. corn made up 80 percent of Italy's small import market for corn; by 1960-62, the U.S. share had fallen to 12 percent of a greatly expanded market, while Argentina's share had increased from 11 to 60 percent. 10/ The decline in the relative share of U.S. corn in the Italian import market was not only due to the special trade preference favoring Argentina's Plata and South Africa's Flint corn, but also to the Italian consumer's preference for eggs with dark yolks and for yellow-skinned poultry meats. These colors are obtained when Plata and Flint types of yellow corn are fed because they contain large amounts of the pigment xanthophyll. 11/ Since over half of total corn in Italy is used in poultry feed, the Italian consumer's taste in poultry products has been a significant factor in Italy's corn importation. 12/ This significance has been magnified by the rapid growth of the Italian poultry industry: in the late 1950's, poultry production averaged about 100,000 tons; by the late 1960's, it had quadrupled. 13/

After 1962, with the end of the import-licensing policy that had given U.S. corn a relative disadvantage, the U.S. share of Italy's corn imports increased again. By that time, the U.S. Feed Grains Council was pioneering in making U.S. corn more competitive with Argentine corn by adding pigments to it. This technique, however, has fallen short of making U.S. corn completely competitive with Plata corn in every respect, since the latter also contains less moisture. 14/

9/ IT9007, Feb. 11, 1969. Corn arrival data through April 1969, as reported by Sorveglianza, and U.S. Bur. of the Census data on corn exports to Italy through May 1969.

10/ J. Breedveld. Cereals in the EEC 1950-1963. Rept. 130, Agr. Econ. Inst. The Hague, June 1965: Translated from the Dutch by Joint Publ. Res. Serv. Dept. of Commerce, for Econ. Res. Serv., U.S. Dept. Agr., June 1967, p. 28 and table 45.

11/ Graziani, op. cit.

12/ According to a tabulation of SOEC, 52 percent of corn fed to livestock in Italy, 1961/62-1964/65, was fed to poultry, 34 percent to hogs, and 14 percent to cattle. Agricultural Statistics 1967, 9, p. 54.

13/ During 1955-59, Italy's annual average poultry production was 108,000 tons; in 1966/67, it was 394,000. OECD. Food Consumption Statistics 1954-66, Paris, 1968, p. 404.

14/ Agr 80, Rome, May 14, 1968.

Table 3.--Net feed grain imports, Italy, 1957-68

Year	Total imports	Total exports 1/	Net imports
<u>-- 1,000 m.t. --</u>			
1957	724	11	713
1958	1,034	4	1,030
1959	1,422	5	1,417
1960	2,424	6	2,418
1961	2,585	5	2,580
1962	3,305	11	3,294
1963	4,584	110	4,474
1964	4,247	219	4,028
1965	6,210	684	5,526
1966	6,696	188	6,508
1967	6,290	29	6,261
1968	6,252	12	6,240

1/ Exports to the Federal Republic of Germany accounted for the bulk of these tonnages. They were:

1,000 m.t.

1962	4
1963	53
1964	170
1965	500
1966	141
1967	15
1968	2

Source: Total imports from table 1, exports from U.N. printouts (special tabulations for Econ. Res. Serv.).

Italy's demand for U.S. wheat has fluctuated widely (table 4). Italian wheat production suffered a disaster in 1960 (table 5 and fig. 1). Argentina had harvested a small crop during 1959/60, and its 1960/61 crop was only two-thirds of the preceding 5-year average. In this situation, Italian wheat imports from the United States became important in 1960 and very large -- 1 1/3 million tons -- in 1961. After 1962, however, wheat imports from Argentina exceeded those from the United States in every year (fig. 1). Argentine wheats, in quality and price, are comparable to U.S. wheats, but Argentine supplies of wheat for export are volatile. Canada, whose top-grade wheats are of higher quality and price than the most typical wheats of the United States, is usually an important source of Italian wheat imports.

Italians distinguish between two types of wheat: durum (duro) (botanically *Triticum durum*) and nondurum (tenero) (botanically *Triticum aestivum*). Durum wheat is the type that is very "hard" -- its flour is "strong," rich in gluten. ^{15/} It is the basic source for pasta production. Nondurum wheat is used in baking breads and pastries. It may be "spring" or "winter," "hard" or "soft." U.S. hard winter wheats, for instance, are nondurum types that Italy imports to mix with her own nondurum wheats to improve their bread-baking quality.

Nondurum wheat usually comprises the major portion of Italian wheat imports. During 1965-68, imports of nondurum wheat into Italy averaged 600,000 tons, with relatively little annual fluctuation (table 6). Italian import statistics for the decade ending in 1968 show Canada as the most regular supplier and Argentina as a supplier in most years. The United States and Australia are shown as suppliers during the earlier years of the decade; France, as a supplier since 1964. The U.S.S.R. is a source, but an irregular one. The virtual disappearance, after 1964, of the United States as a country of origin is not conclusive: available Italian import statistics do not show all countries of origin for all classes of wheat, and these statistics exclude relief shipments. Moreover, U.S. Inspections for Export to Italy of Nondurum Wheat, as published by the U.S. Department of Agriculture, Consumer and Marketing Service, Grain Market News, show an average annual flow of 88,000 tons of U.S. nondurum wheat to Italy during fiscal years 1964-67, with little annual variation, 54,000 tons during fiscal year 1968, and 50,000 tons during fiscal year 1969 (table 7). U.S. wheat (nondurum and durum wheat combined) exported

^{15/} Strength is related to the protein level and the protein quality of the wheat. Britton, Denis K. *Cereals in the United Kingdom*, Pergamon Press, Oxford and New York, 1969, p. 456.

Table 4.--All wheat: Imports by country of origin, Italy, 1958-68

Year	Total	Source					Market share		
		Argentina	United States	Canada	Other 1/	Argentina	United States	Canada	Other 1/
		<u>-- 1,000 m.t. --</u>					<u>-- Pct. 2/ --</u>		
1958	174	30	5	5	134	17	3	3	77
1959	59	---	---	36	23	0	0	61	39
1960	576	58	204	228	86	10	35	40	15
1961	2,434	94	1,326	247	957	4	47	11	39
1962	451	27	88	115	221	6	19	25	49
1963	301	126	32	128	15	42	11	43	5
1964	540	149	112	64	215	28	21	12	40
1965	929	337	19	164	409	36	2	49	44
1966	1,168	438	191	176	363	38	16	15	31
1967	847	292	83	220	254	34	10	26	30
1968	1,356	438	214	358	346	32	15	26	26

1/ Mostly France since 1964.

2/ May not total 100 percent due to rounding errors.

Source: Associazione Granaria Milano. Annuario 1965 and Annuario 1968; ISTAT. Statistica Mensile del Commercio con l'Estero, Dec. issues 1958, 1967, and 1968.

Table 5.--Wheat: Production, area, yield, and self-sufficiency in Italy, 1958-68

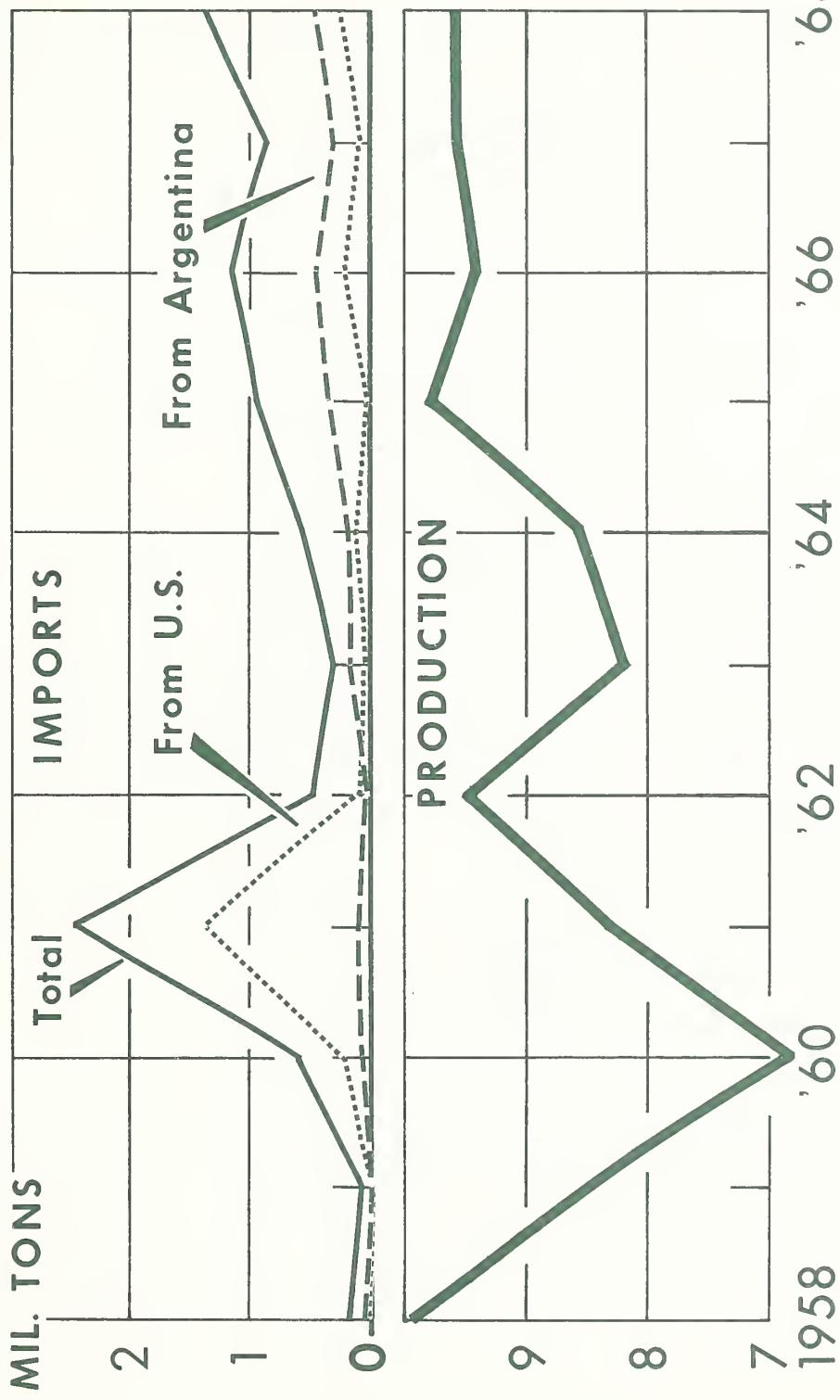
	Wheat	Unit	1958	:	1959	:	1960	:	1961	:	1962	:	1963	:	1964	:	1965	:	1966	:	1967	:	1968
All:				:				:				:											
Production	.....	1,000 m.t.	9,815		8,466		6,803		8,301		9,497		8,127		8,586		9,776		9,400		9,565		9,570
Area	.....	1,000 acres	11,955		11,527		11,258		10,736		11,258		10,858		10,892		10,596		10,561		9,914		10,564
Yield	.....	bu./acre	30.2		27.6		22.2		28.4		31.0		27.5		29.0		33.9		32.7		35.4		33.3
Nondurum:				:																			
Production	.....	1,000 m.t.	8,185		6,927		5,715		6,614		7,828		6,277		7,124		7,828		7,725		7,015		7,510
Area	.....	1,000 acres	8,550		8,100		7,836		7,327		7,823		7,495		7,618		7,460		7,415		6,578		6,961
Yield	.....	bu./acre	35.2		31.4		26.8		33.2		36.8		30.8		34.4		38.6		38.3		39.2		45.6
Durum:				:																			
Production	.....	1,000 m.t.	1,630		1,530		1,089		1,687		1,669		1,850		1,462		1,948		1,675		2,550		2,060
Area	.....	1,000 acres	3,405		3,405		3,425		3,410		3,435		3,363		3,277		3,136		3,146		3,336		3,603
Yield	.....	bu./acre	17.6		16.6		11.7		18.2		17.9		20.2		16.4		22.8		19.6		28.1		21.0
Self-sufficiency	2/	Pct.	106.6		110.3		96.4		78.0		96.2		100.0		96.3		95.5		92.7		99.8		90.5

1/ SOEC. Production Vegetale 1968, No. 12, p. 20.

2/ Production divided by production plus net imports (or by production minus net exports). In calculating net imports (or net exports), exports of wheat flour and pasta products are considered in terms of their wheat equivalent (actual weight x 1.4).

Source: Associazione Granaria, Milano. Annuario 1965 and Annuario 1968.

WHEAT PRODUCTION AND IMPORTS, ITALY



U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 7632-70 (5) ECONOMIC RESEARCH SERVICE

Figure 1

Table 6.--Nondurum wheat: Imports by country of origin, Italy, 1958-68

Year	Total	Argentina	United States	Canada	Australia	France	USSR	-- 1,000 m.t. --	
								---	---
1958	7	2	---	5	---	---	---	---	---
1959	31	---	---	29	---	---	---	---	---
1960	299	15	202	19	26	---	---	35	---
1961	2,125	---	1,326	57	486	---	---	188	---
1962	361	---	88	91	106	---	---	6	---
1963	212	49	32	128	---	---	---	---	---
1964	468	84	111	64	---	202	---	---	---
1965	683	139	---	164	---	373	---	---	---
1966	537	129	---	176	---	220	---	---	---
1967	556	96	---	188	---	213	---	---	---
1968	626	118	12	256	---	132	78	78	78

Source: Associazione Granaria Milano. Annuario 1965 and Annuario 1968; ISTAT. Statistica Mensile del Commercio con l'Estero, Dec. 1958, June 1968, and Dec. 1968.

Table 7.--U.S. inspections for export to Italy of nondurum and durum wheat,
fiscal years 1964-69

Fiscal Year	Nondurum	Durum	Total
<u>-- 1,000 metric tons --</u>			
1964	88	---	88
1965	85	---	85
1966	86	107	193
1967	91	112	203
1968	54	88	142
1969	50	375	425
:			

Source: Consumer and Mktg. Serv., Grain Market News, U.S. Dept. Agr.

and transshipped via Canadian ports to Italy may have been reported in Canadian and Italian statistics as exports of and imports from Canada. 16/

Since 1964, France has been a steady supplier of nondurum wheat to Italy, providing between 38 and 55 percent of Italy's imports during 1964-67. The CAP for grains, which began in a transitional stage in 1962, provided an incentive to France to export wheat to Italy rather than to countries outside the EC. In 1968, however, Italian nondurum wheat imports from France were only 132,000 tons, or 21 percent of the total (table 6).

16/ No such transshipments of U.S. wheat to Italy were reported during 1959-64, but since then they have been:

	<u>Metric tons</u>
1965	24,500
1966	10,900
1967	31,700
1968	181,300

Source: For. Agr. Trade of the United States, Dec. 1966 and Sept. 1967. U.S. Foreign Agr. Trade, By Countries, Calendar Year 1967, and worksheet for Calendar Year 1968. For 1967-68 combined, the sum of Canadian and U.S. wheat exports to Italy (U.S. transshipments included) exceed Italian imports from the two countries by 432,000 tons. Exclusive of U.S. transshipments; that is, if it is assumed that Canada reported these as Canadian exports, the excess over Italian imports is still 219,000 tons (Source: U.N. printouts -- special tabulations for Econ. Res. Serv.).

An excess milling capacity in Italy provided the incentive to develop export markets for Italian flour in countries outside the EC, including Libya, Egypt, the Sudan, Syria, and the Philippines. In 1968, such exports totaled 195,000 tons (or 273,000 tons in wheat equivalent). 17/

Following the record crop of 1958, Italy's exports of nondurum wheat were also significant: During 1958-59, nondurum wheat exports averaged 558,000 tons, most of which were bound for Egypt and the United Kingdom. Since then, Italy's nondurum wheat exports have become insignificant, averaging only 8,000 tons annually during 1964-68.

Italy's current annual nondurum wheat requirements are about 5.8 million tons for domestic food consumption plus 1.1 million tons for seed and stocks. Italy's nondurum wheat production has been above this level; thus, under current production trends, 600,000 to 1 million tons will be left over as surplus or for export as subsidized flour. 18/ But even with domestic production surpluses, some importation of hard nondurum wheat is necessary for blending to improve the baking quality of Italian soft wheat.

In 1968, more than half the wheat imported by Italy was durum: Of 1.36 million tons of wheat imported, 0.73 million tons were durum. Almost one-half of the durum wheat came from Argentina, which has had a prominent share of the Italian durum market for some years (table 8). The United States and Canada were the other principal sources of Italian durum imports in that year. Canada had claimed a sizable share of that market in 1960 and 1961, but between then and 1968, had a minor share or no share at all.

Imports of U.S. durum wheat appeared in Italian trade statistics in 1958 and again beginning in 1964. These imports became important in 1966, comprising 30 percent of Italy's durum wheat imports. Thus, the United States became a source of Italian durum imports when its importance as a source of Italian nondurum imports declined.

The Italian annual per capita wheat consumption was 367 pounds during 1965-67; about 110 pounds of this total were for pasta. Under the "pasta law," effective January 1, 1968, prescribing 100-percent use of durum wheat in all pasta products, Italy's annual requirements for durum wheat were expected to reach about 2.6 million tons for pasta production plus about 1 million tons for seed and stocks. 19/

Contrary to expectations, there was relatively little evasion of the new pasta law. A lower buyers' price for durum -- offset by producer payments from the EC's European Agricultural Guidance and Guarantee Fund (FEOGA) -- brings the cost of durum to the manufacturer almost down to that of hard nondurum wheat. This new price relationship has reduced any incentive to ignore the law. 20/

17/ SOEC, Analytical Tables, Foreign Trade, various issues.

18/ Agr 59. Rome, Feb. 12, 1968.

19/ Ibid., and Legge 580, July 4, 1967, published in Gazzetta Ufficiale 189, July 29, 1967.

20/ Agr 59.

Table 8.--Durum wheat: Imports by country of origin, Italy, 1958-68

Year	Total	Argentina	United States	Canada	Israel	Syria	France	Greece
-- 1,000 m.t. --								
1958	167	28	5	---	7	134	---	---
1959	28	---	---	7	14	7	---	---
1960	276	42	---	208	7	---	---	---
1961	309	94	---	190	---	---	---	---
1962	90	27	---	23	---	32	---	---
1963	89	77	---	---	---	8	---	---
1964	72	65	1	---	---	---	---	---
1965	246	199	19	---	---	7	---	---
1966	631	309	191	---	---	---	---	---
1967	291	195	61	32	---	---	---	---
1968	730	320	101	144	---	48	52	52

Source: Associazione Granaria Milano. Annuario 1965, p. 106; Annuario 1968, p. 100; and ISTAT. Statistica Mensile del Commercio con l'Estero, June and Dec. 1968 issues.

This new level of durum requirements, plus the bad weather that caused Italy's domestic durum crop to be smaller than had been expected, explains the high level of Italy's 1968 durum imports (730,000 tons). During 1965-67, Italy's durum imports averaged 389,000 tons. The U.S. share of all Italian durum imports during 1965-68 was 25 percent, while Argentina's share was 54 percent.

For the year ending April 1969, Italy's imports of all wheat were 1.4 million tons, compared with 0.8 million for the same period a year earlier. Of the 1.4 million tons, 0.5 million were nondurum wheat and 0.9 million were durum. 21/ Imports of nondurum wheat were lower, but imports of durum higher as a result of the new pasta law and the poor Italian durum crop in 1968. 22/

Because of Argentina's short 1968/69 crop, that country has been importing wheat to meet domestic needs and export commitments made early in the season. This fact may have helped boost the U.S. share of Italy's durum imports in 1969 despite the injurious effects of the U.S. dock strike during the winter of 1969.

Italian Grain Imports in EC Perspective

The phenomenal rise of Italian corn imports is succinctly reflected in the percentages that these imports were of corresponding EC imports in recent years (table 9). Moreover, Italian imports of U.S. corn rose from insignificant percentages of total EC imports of U.S. corn before 1962, to a maximum of 36 percent in 1965-66. And just as the tonnages of corn imported during 1967-68 declined, so did the shares of Italian imports in the EC total.

The Italian share in total EC corn imports was significant even in the late fifties, averaging 25 percent during 1958-59; but that share almost doubled to 48 percent in 1965-66 and then declined to 44 percent in 1968.

As Italian corn imports relative to EC corn imports rose from 1958 to 1965-66 and dropped thereafter, the tonnage of Italian imports changed similarly. Interestingly, Italian wheat imports relative to EC wheat imports and the tonnage of Italian wheat imports also changed similarly. The Italian wheat import figures -- both tonnages and percentages -- are characterized by volatility: They were negligible in 1958-59, the year of the Italian bumper wheat crop, and the year following it. The Italian share in EC wheat imports from the United States bulged to 54 percent in 1961, after the Italian and Argentine crop disasters in 1960 and 1960/61. At the same time, the Italian share in

21/ Based on Sorveglianza data on grain arrivals, as reported in Agr reports.

22/ Rome, IT9028, May 12, 1969.

Table 9.--Corn and wheat imports into Italy and the EC, from the United States and all origins, 1958-68

Year	Corn						Wheat					
	Imports from the U.S.			All imports			Imports from the U.S.			All imports		
	1,000 m.t.	1,000 m.t.	Pct.	1,000 m.t.	1,000 m.t.	Pct.	1,000 m.t.	1,000 m.t.	Pct.	1,000 m.t.	1,000 m.t.	Pct.
1958	39	936	4	690	3,208	22	5	766	1	174	3,992	4
1959	105	1,474	7	1,065	3,742	28	---	672	0	59	4,373	1
1960	15	1,554	1	1,704	4,641	37	204	688	30	576	3,967	15
1961	106	2,258	5	1,729	5,006	35	1,326	2,473	54	2,434	6,928	35
1962	612	3,095	20	2,744	6,683	41	88	1,049	8	451	5,027	9
1963	1,082	4,062	27	3,663	8,266	44	32	1,046	3	301	3,971	8
1964	924	4,409	21	3,476	8,518	41	112	1,136	10	540	3,954	14
1965	2,162	6,012	36	5,153	10,753	48	19	1,077	2	929	4,607	20
1966	2,360	6,556	36	5,407	11,329	48	191	1,739	11	1,168	4,639	25
1967	1,199	1/ 4,898	24	5,244	1/ 11,652	45	83	1,377	6	847	4,484	19
1968	1,878	6,279	30	4,892	11,231	44	214	1,587	13	1,356	5,180	26

1/ Reported figures plus upward revision of Italian figures equals 11,652,000 m.t., and 4,898,000 m.t. from the U.S. ISTAT
 Statistica Mensile del Commercio con l'Ester, Dec. 1968, compared with Dec. 1967.

Source: Italian imports: Tables 1-7. EC imports: SOEC. Foreign Trade, Analytical Tables, annual issues, 1958-67, and for 1968,
 U.N. printouts (special tabulations for Econ. Res. Serv.).

all EC wheat imports was 35 percent, also a maximum of the time series shown in table 9. During 1960-61, the Italian share in EC wheat imports from the United States far exceeded the Italian share in all EC wheat imports. By contrast, in 1966 and again in 1968, when Italy's share in all EC wheat imports was about one-fourth, its share in EC imports from the United States was only about one-eighth, which reflected stiff Argentine and French competition. Italy imports wheat for qualitative as well as for quantitative reasons. As previously mentioned, Italy requires some strong wheat for blending with its own types to improve the baking quality of flour and, most recently, it has imported increased tonnages of durum wheat to meet the requirements of the pasta law. 23/ On the other hand, Italy has had excess wheat supplies available for export in the form of flour, to the extent to which restitution (subsidization) arrangements have made such exports attractive. Italy's self-sufficiency in wheat during 1958-68 fluctuated widely. Significant surpluses in 1958-59 resulted from the bumper crop of 1958, a severe shortage in 1961 from the crop disaster in 1960. During 1962-1968, self-sufficiency averaged 96 percent and ranged between 91 and 100 percent (table 5).

23/ Pp. 8, 14.

Wheat

Wheat is produced throughout Italy, unlike corn, which tends to be produced mainly in the Po Valley. And wheat, unlike corn, is primarily a cash crop for the Italian farmer. Because of wheat's importance in the Italian grain market, wheat prices form the basis of the Italian grain-pricing system.

Wheat production, acreage, and yield were remarkably stable in Italy during 1965-68, except for the 1967 decline in acreage that resulted from the flooding-out of wheat fields during the fall 1966 deluge. To a small extent, that decline was offset by record yields. Production during these 4 years averaged 9.6 million metric tons, less than in 1958, but more than in any intervening year. Wheat acreage declined gradually from 12.0 million in 1958 to 10.6 million in 1965-66 and 1968. Yields rose from 27.1 bushels an acre in 1958-61 to 33.8 bushels in 1965-68.

The unified CAP for grains, which took effect in mid-1967, implied a lower level of nondurum wheat prices. Actually, the market price for nondurum wheat in Italy held up remarkably well during 1967/68, supported by a 9-percent (690,000 ton) decline in nondurum wheat production. Durum wheat production, on the other hand, increased by one-half (875,000 tons). In 1968, when the 1966 floods were no longer a factor, nondurum wheat acreage was 454,000 acres less than in 1966, while durum wheat acreage was up by a like amount. The production of 7.5 million metric tons of nondurum wheat in 1968 was only possible because the yield was at a record level.

Nondurum wheat production is concentrated in northern Italy but not limited to that area. Durum production, on the other hand, is typical only in the south and on the islands. While nondurum acreage decreased 19 percent from 1958 to 1968, durum acreage increased 6 percent. The new law requiring 100-percent use of durum wheat in pasta production was intended to stimulate Italian durum wheat consumption and production. This legislation must be seen in connection with the incentive to durum wheat production provided by the FEOGA-financed producer payments granted to durum wheat producers. This payment is equal to the difference between the guaranteed minimum price of \$145 per metric ton and the derived intervention price of \$110.20. 24/

Durum wheat production in 1968 fell short not only of expectations but also of 1967 levels. 25/ The 1968 crop was plagued first by hot winds, then rains that delayed harvesting. The 1968 durum yield per acre was 25 percent below that of 1967 although it was the second highest in the period shown in table 5.

24/ Brussels, Airgram-305, July 8, 1969. For a discussion of intervention prices, see pp. 28 f.

25/ Several knowledgeable Italian sources contend that the durum wheat crops, officially reported by ISTAT as 2.5 million tons in 1967 and 2.1 million tons in 1968, were each 0.3 million tons less. Rome, IT9007, Feb. 11, 1969, and Agr 80, May 14, 1968.

Italian wheat production in 1969 was estimated as 9,500,000 tons at harvesttime, compared with 9,570,000 tons in 1968. Nondurum wheat production was estimated at 7,050,000 tons, down 460,000 tons from 1968, the combined result of lower acreage and yield. Durum wheat production, at 2,450,000 tons, was 390,000 tons over 1968 and almost entirely the result of higher yield. 26/

Corn

Planted corn acreage declined from 3.0 million acres in 1958 to 2.4 million acres in 1968, while total corn production displayed no trend (table 10). For 1955-65, Mangum found that the elasticity of corn area with respect to corn price was essentially zero in the north, in central as well as southern Italy, and on the islands. 27/

Acreage in "nostrano" corn -- the higher priced, native, nonhybrid corn -- declined steadily from 1958-68. That 1.1-million-acre-decline more than offset the almost steady yearly increase of 0.5 million acres in hybrid corn during this period. 28/ The largest increase in hybrid corn acreage -- 163,000 acres, or 13.5 percent -- occurred from 1966 to 1967, when the beginning threshold price was raised 14.3 percent (from 42,500 to 48,500 lire per ton). However, this acreage increase was not only in response to the higher threshold price under the unified CAP for grains, a price that had been known at planting time but was also the result of the severe floods, which wreaked their havoc in the fall of 1966. These floods washed out fields planted to winter wheat and thus induced the planting of corn in the spring of 1967. Hybrid corn acreage that had been at a record high in 1967 was further increased in 1968, although only between 1 and 2 percent. The increase in the beginning threshold price of corn from 1967 to 1968 similarly amounted to only 1.2 percent.

Since 1967, the amount of hybrid corn acreage has exceeded that of "nostrano" corn acreage. Less land on slopes and mountainsides and in the south is devoted to corn. Hybrid corn yield in these generally low-yielding areas compares poorly with that in the plains of the northern Regions. Thus, the greatest expansion in hybrid corn acreage has occurred in the northern Regions -- Piemonte, Lombardia, Veneto, and Friuli-Venezia Giulia. There, farmers are susceptible to change and able to make the capital investment necessary for mechanized planting and harvesting. The area also has the water resources necessary for hybrid corn production and irrigation and fertilizers are used.

26/ IRVAM. Rapporto Previsionale Frumento per la Campagna di Commercializzazione 1969/1970, July 1969.

27/ Mangum, Fred A., op. cit., p. 68.

28/ Nostrano corn is a group of local varieties that are relatively low-yielding (2,030 kg/ha, compared with 5,650 kg/ha for hybrid corn, according to ISTAT) but high in protein. They are often preferred for making polenta (corn-meal mush) and for feeding chickens. Also, nostrano varieties at present are more disease-and insect-resistant than hybrid varieties.

Table 10.--Corn production, Italy, 1958-68

	Unit	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968
All:												
Production	1,000 m.t.	3,670	3,880	3,813	3,936	3,261	3,692	3,957	3,317	3,510	3,830	3,942
Area	1,000 acres	3,007	2,948	2,936	2,958	2,770	2,770	2,649	2,540	2,441	2,513	2,399
Yield	bu./acre	48.1	51.8	51.1	52.4	46.4	52.5	58.8	51.5	56.6	60.1	64.7
Nostrano:												
Production	1,000 m.t.	1,753	1,882	1,617	1,580	1,242	1,432	1,325	941	965	950	857
Area	1,000 acres	2,103	2,029	1,942	1,858	1,712	1,643	1,480	1,329	1,233	1,142	1,009
Yield	bu./acre	32.8	36.5	32.8	33.5	28.6	34.3	35.3	27.8	30.8	32.8	33.4
Ibrido:												
Production	1,000 m.t.	1,917	1,998	2,197	2,356	2,020	2,260	2,632	2,376	2,545	2,881	3,085
Area	1,000 acres	904	919	993	1,100	1,058	1,127	1,169	1,211	1,208	1,371	1,390
Yield	bu./acre	83.5	85.6	87.1	84.4	75.2	79.0	88.6	77.2	82.9	82.7	87.4
Self-sufficiency 1/	Pct.	81	78	68	69	54	50	54	42	40	42	45

1/ Production divided by production plus net imports.

2/ Totals from SOEC, Pflanzliche Erzeugung, 1968, 14, p. 24. Nostrano and Ibrido figures from IRVAM, Rapporto Previsionale Cereali Foraggeri, Oct. 1968, proportionately adjusted to conform to totals.

Source: ISTAT. Annuario Statistico Italiano.

Expansion of corn production, especially in the northern Regions -- the Italian corn belt -- should result from an expected increase in Italy's corn acreage in 1969. 29/ Greater use of improved seeds and of fertilizers is also expected.

Despite the contraction in total corn acreage, total Italian corn production has not declined -- because of higher average yields. Rather, the increased yields have resulted from the increasing proportion that hybrid corn, with its much higher yields, is of total corn production. Italy's corn production in 1968 was 2 percent above that in 1967, though acreage was 9 percent lower. In 1968, a corn crop of 4.0 million metric tons was anticipated, but adverse weather delayed harvesting and reduced the output to 3.9 million metric tons. In 1969, production was expected to be 4.5 million metric tons. 30/

Italy's expansion of corn production is less impressive when compared with that of France, whose annual average corn production during 1951-55 was only 792,000 tons. This compares with 2,859,000 tons produced annually in Italy during that period. Corn production in France first exceeded production in Italy in 1963 and again in 1965-66 and 1968. Corn acreage since 1951-52 nearly tripled in France, while Italian corn acreage declined. France has also rapidly adopted the use of hybrid seed and has nearly doubled average yields per acre. 31/

Sorghum Grain

The feed grain economy of Italy is similar to that of the United States as far as the preponderance of corn is concerned. In 1967, for instance, 76 percent of total feed grain production in the United States was corn. 32/ In Italy, the corresponding percentage was even higher -- 81 percent. Also, corn accounted for 81 percent of all feed grain arrivals (that is, imports) in Italy. The remaining 19 percent was made up mostly by barley and, to a smaller extent, oats. Sorghum grain production and imports, however, have been negligible in Italy, whereas in the United States this crop made up 12 percent of feed grain production in 1967. The virtual absence of sorghum grain from the Italian feed grain economy calls for some analysis.

The price differential between corn and sorghum grain in Italy has varied considerably since the beginning of the transitional period for the EC Common Agricultural Policy for grains on July 30, 1962 (table 11). From January 1964

29/ Federconsorzi's estimate, IT9004, Jan. 27, 1969. Federconsorzi revised their 1969 estimate of acreage increase to 20 percent as of May 1969. However, U.S. Ass't Ag. Attaché, P. Danyluk reports that as of that date "technicians" foresaw a decline in acreage. IT9028, May 12, 1969.

30/ Federconsorzi's May 1969 revised production estimate.

31/ IT9004, Rome, Jan. 27, 1969, and Grain Crops, London, various issues.

32/ Corn, oats, barley, and sorghum grain.

Table 11.--Difference in threshold prices for corn and sorghum grain,
Italy, July 1962-July 1969

Period	Corn minus sorghum grain		
	<u>Lit/100 kg</u>	<u>Dol./m.t.</u>	<u>Cents/bu.</u>
July 30-Dec. 1962	250	4.00	10.2
Jan.-June 1963	400	6.40	16.3
July-Sept. 1963	106	1.70	4.3
Oct.-Dec. 1963	312	4.99	12.7
Jan.-June 1964	-306	-4.90	-12.4
July-Sept. 1964	-312	-4.99	-12.7
Oct. 1964-June 1965	-280	-4.48	-11.4
July 1965-June 1966	250	4.00	10.2
July-Sept. 1966	85	1.36	3.5
Oct. 1966-June 1967	285	4.56	11.6
July 1967-July 1968	184	2.94	7.5
Aug. 1968-July 1969	231	3.69	9.4
.....			

Source: Computed from threshold prices published in C.E.E. Informations.
Marchés Agricoles, Prix.

through June 1965, the threshold price for corn, the more valuable in nutrients of the two crops, was set lower than that for sorghum grain. 33/ When the threshold price for sorghum grain was lowered, effective July 1965, so that it would be priced at a discount below corn, the new price relationship was expected to result in the importation of U.S. sorghum grain into Italy. According to the U.S. Agricultural Attaché in Rome:

Perhaps most significant for future U.S. sales was the realignment of the grain sorghum levy, making that grain much more desirable to importers and feed manufacturers and also raising the possibility of more producer interest if manufacturers start using sorghum grain in substantial quantities. 34/

This expectation did not materialize. Apparently, the price differential after June 1965 was still not sufficient to induce the trade to import and use sorghum grain. The price differential ranged from \$2.94 to \$4.00 a metric ton (7.5 to 10.2 cents a bushel) during the 3 marketing years from mid-1965 to mid-1968. This differential compares with an average differential of \$7.70 a metric ton (17 cents a bushel) in the unit value of corn and sorghum grain exported from the United States during calendar years 1965-67. 35/

The relatively high price of sorghum grain compared with that of corn in Italy also failed to stimulate domestic production. From 1965 to 1967, acreage remained at 6,000 hectares, mostly planted in central Italy; that is, south of the area where corn is typically grown. Yields and production dropped slightly during the 3-year period.

A possible additional deterrent to sorghum grain trading is that this grain is subject to the turnover tax (Imposta Generale sul Entrata), whereas corn is tax-exempt.

A leading grain trader in Milan told the senior author that the high level of the sorghum grain price from January 1964 to June 1965 resulted from an error. Later on, corrections were made; but the sorghum grain price, although lowered relative to the corn price, was set at a level to be an incentive to domestic production. To date, however, that price level has not been such an incentive.

With corn as the preponderant feed grain in Italy, with sorghum grain virtually not in the picture, and with barley and oats rather unimportant, Italy's relative role as a corn importer is even more important than her role as an importer of all feed grains.

33/ As explained later in this report, the threshold price is an administratively determined price. During the transitional period, mid-1962 to mid-1967, this price tended to be the effective levy-paid import price; import levies tended to equal the difference between threshold and c.i.f. prices.

34/ Tetro, Robert C. Dispatch from Italy: The 1965 Agricultural Year. Foreign Agriculture, Nov. 29, 1965, p. 9.

35/ Foreign Agricultural Trade of the United States, Oct. 1968, p. 71.

The European Community's Common
Agricultural Policy for Grains

Since 1962, grain price formation in Italy has been decisively influenced by the Community's Common Agricultural Policy (CAP) for grains. That policy is anchored on the concept of the target price (fig. 2). This is a theoretical price considered desirable for and possible of being attained in the marketing center of the area having the largest deficit. Since the CAP was unified for the entire EC on July 1, 1967, the principal deficit area center has been Duisburg, Germany (at the confluence of the Rhein and Ruhr rivers). Earlier, each EC member country had its own principal deficit market, and that market differed for the several grains. The target price is defined as applicable to the wholesale purchasing stage, f.o.b. carrier, not unloaded, at an elevator in the leading deficit area. This definition implies a relatively high price within the marketing structure. Thus, prices at locations supplying the leading deficit area and prices at marketing levels preceding the wholesale purchasing stage would be lower.

The threshold price is lower than and derived from the target price. The former also reflects a theoretical and administrative concept. It represents the price level to which the price of foreign grains must be raised for them to enter the EC. This threshold price is obtained by deducting from the target price the transportation, handling, and other costs incurred between the port of entry nearest the marketing center of greatest deficit and that center. In theory, the threshold price is thus the importer's cost price including the variable levy.

The variable levy, in principle, is the difference between threshold and c.i.f. prices. The threshold price should thus be equal to the levy-paid import price. Actually, a number of variants may cause the levy-paid import price to differ from the threshold price.

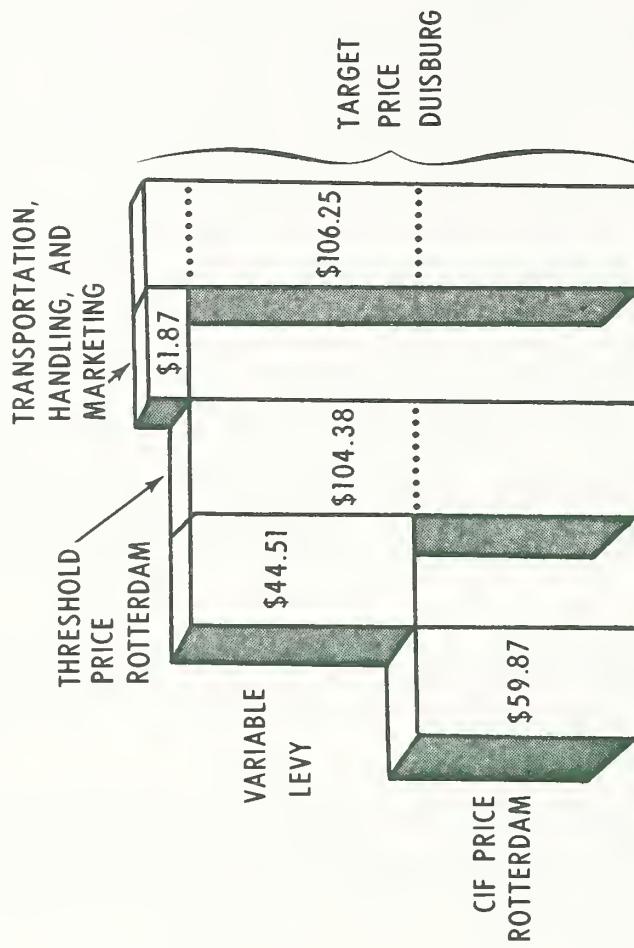
A first variant is the bracketing of price changes. Although variable import levies on grains other than rice 36/ are subject to daily change, they are changed only if the newly calculated difference between threshold price and c.i.f. price differs from the levy in force by more than \$0.60 a metric ton. 37/

A second variant is the quality differential. To calculate the levy, c.i.f. grain prices are adjusted by published quality differentials. The price of, say, a high-grade nondurum hard wheat, is reduced by its applicable quality differential and that of, say, a low-grade soft wheat, is raised by its applicable quality differential. A "standardized" c.i.f. price quotation is thus obtained, which is considered to pertain to the standard EC quality soft wheat. The lowest "standardized" c.i.f. price quotation thus obtained forms the subtrahend, which is deducted from the threshold price to determine the variable

36/ Levies on rice are set for at least one week.

37/ The bracketing of grain price changes is pursuant to VO 156, Art. 6, AB1. 128, June 27, 1967, p. 2535.

EC PRICE STRUCTURE FOR IMPORTED GRAINS



DATA ARE ILLUSTRATIVE; THEY PERTAIN TO A TON OF NONDURUM WHEAT IN JULY 1967.
 BASIC DATA FROM V.O. 128, AB1. 120, JUNE 21, 1967, P.P. 2350 - 2351 AND C.E.E. INFORMATIONS,
 MARCHÉS AGRICOLES PRIX, 13, SEPT. 9, 1968, P. 40.

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Figure 2

levy. This means that the actual levy-paid price of imported grain tends to differ from the threshold price by the applicable quality differential. 38/

A third variant is the result of ordinary price fluctuations that are not necessarily tied to quality differentials. Since the variable levy is calculated from Rotterdam c.i.f. prices based on the most favorable; i.e., the lowest-priced purchasing opportunity in the world market, it is likely that other higher prices also exist. The sum of any of these other prices and the applicable variable levy exceeds the threshold price.

A fourth variant is time. First, quite simply, there is always a necessary time lag between the calculation of a levy from the c.i.f. price on one day and its application to c.i.f. prices on the next day. Prices may change from one day to the next, and this simple time lag may cause a discrepancy between the threshold price and the sum of c.i.f. price and levy.

Second, a more important kind of time lag may occur and give rise to considerable price variation: importers may "prefix" the levy before actual importation. In that case, the levy is raised to reflect (1) the applicable seasonal escalation of the threshold price 39/ and (2) a premium equal to the difference between spot and forward prices (there is no such premium unless the spot price exceeds the forward price by more than 12.5 cents a ton). 40/ Thus, skillful importers can prefix a relatively low levy when the c.i.f. price is higher and buy the grain some other time when the c.i.f. price is lower. The sum of their purchase price and their prefixed levy may be less than the threshold price.

A fifth variant is location. Since July 1, 1967, threshold prices and standardized c.i.f. prices from which levies are calculated pertain to Rotterdam. Ocean freight rates from typical ports of origin to other EC ports may be higher. This means higher c.i.f. prices in such ports. The levy is calculated so that it will be maximized: The difference, threshold price minus the lowest standardized c.i.f. Rotterdam price, will be larger than the difference, threshold price minus a higher c.i.f. price in other ports. This is particularly true for Italian ports, where c.i.f. prices tend to be higher than in Rotterdam. During 1966/67, the last marketing year under the transitional CAP on grains, the difference between the standardized c.i.f. corn prices for Genoa and Rotterdam averaged \$3.24 a metric ton. Similarly, the difference between Genoa and Rotterdam c.i.f. prices for U.S. Yellow Corn, No. 2 averaged \$3.17 during that year. For Plata corn, that difference averaged somewhat less, \$2.07. Thus, in Italy, the sum of the local c.i.f. price plus the levy tends to exceed the threshold price.

38/ More specifically, the difference between the actual levy-paid price of nonstandard grain and the threshold price of the grain tends to be either (1) the actual world market differential between such grain and grain of EC standard grade or (2) the EC-fixed quality differential, whichever results in the higher actual levy-paid price. See Hirsch, Hans G. The Fluctuation of EC Variable Levies. For. Agr. Trade of the U.S., Aug.-Sept. 1965 or Econ. Res. Serv. ERS-For. 141, U.S. Dept. Agr., Sept. 1965, p. 17f.

39/ VO 120, Art. 15(2), AB1. 117, p. 2276, June 19, 1967.

40/ VO 140, Art. 2, AB1. 125, p. 2456, June 26, 1967.

Under these conditions, many Italian markets would have prices for imported feed grains exceeding the EC target price, were it not for a temporary levy discount granted to Italy for the period July 1, 1967 to July 31, 1972. The discount per metric ton amounts to \$10.63 in 1967/68, \$10.00 in 1968/69 and 1969/70 and \$7.50 in 1970/71 and 1971/72. The \$7.50 discount was granted specifically to compensate importers for the higher costs incurred in Italian ports and to ease and extend adjustment to the higher EC-wide feed grain price level. The \$7.50 portion of the levy discount applies only to imports by sea. The levy discount was approved by the EC Council of Ministers in December 1964 upon emphatic Italian insistence. 41/ Italy has vigorously resisted the escalation of its feed grain prices from world market levels to the uneconomic levels demanded by the CAP. Italy's average monthly variable levies on corn were less than \$6 a ton from November 1962 through February 1967. It did not raise its threshold price for corn by monthly increments through 1965. Effective October 1966, the threshold price was raised to \$71.20 a ton, a \$6.40 increase over 1 year earlier, and a \$10.21 increase over the October 1962 level. Thus, the Italian corn price level has been substantially above world market levels only since late 1966 or early 1967. Since then, it was raised in July 1967, with the beginning of the 1967/68 grain marketing year, and again in August 1968, with the beginning of the 1968/69 grain marketing year. The levy discount, currently at \$10 a ton, is now the only moderating factor.

Italian insistence on keeping corn prices low as long as possible was justified as follows: (1) Production costs have recently been lowered by the introduction of new techniques, (2) an increase in the price of corn would mean rising costs for livestock production, (3) corn is produced mainly for onfarm consumption and EC prices would not benefit corn producers but rather would be a disadvantage to livestock producers due to the large amount of higher priced corn imports, and (4) adjusting Italian prices to the EC prices would cause farmers to increase corn area at the expense of other crops important for Italian commercial balance such as sugarbeets, wheat, and tomatoes. 42/

In surplus regions, prices tend to be less by the amount of transportation costs from surplus to deficit region, with the intervention (support) price forming a floor. Intervention prices are paid when the governmental, Community-financed agency in each country buys grain at "intervention points." Basic intervention prices apply to Duisburg. The basic intervention prices for non-durum and durum wheat are \$7.50 a ton less than the applicable basic target prices.

This differential assures a preference or priority for the domestic (that is, EC) product and reduces the imported product to the role of residual supply.

41/ Hirsch, Hans G. The Uniform Grain Price in the European Economic Community. For. Agr. Trade of the U.S., Feb. 1965, or Econ. Res. Serv., ERS Foreign-110, Mar. 1965.

42/ Francesco Grinzato. Convegno Nazionale della Maiscoltura, Dei Prezzi del Mais in Relazione alle Esigenze delle Produzione Veneto Inserita in Campo Nazionale e Comunitario, Treviso, 1966, 7 pp., as quoted by Mangum, op. cit., p. 62.

Price concessions on imported grains are severely limited unless the seller is willing to incur a loss. The possibility of prefixing a relatively low levy and purchasing grain to be imported at a relatively low price some other time (when the levy would be higher) has been mentioned. This possibility, however, ordinarily represents less leeway for price concessions than that created (1) by the differential of \$7.50 a ton between target and basic intervention prices and (2) by the fact that levy-paid import prices often exceed the threshold price. Foreign wheat may be purchased for qualitative reasons, of course. Other things equal, however, the supplier of domestic (EC) wheat can underbid the supplier of foreign wheat.

Derived intervention prices, applicable to markets other than Duisburg throughout the EC, are equal to or less than the basic intervention price. At the beginning of the 1967/68 and 1968/69 seasons, the derived intervention price for nondurum wheat in the deficit areas of Italy -- the south, Sicily, and Sardinia -- amounted to \$98.75 a ton, the same as the basic intervention price applicable to Duisburg. In nine monthly steps it rose to a maximum of \$107.25 in May. In the surplus area of Italy, the north, derived intervention prices for nondurum wheat are lower -- low enough to permit the commercial trade to supply the deficit areas but high enough to form a meaningful price floor (see fig. 3). In 1967/68, northern Italy had a uniform intervention price for nondurum wheat. During July-August 1967, the beginning of the marketing year, this price amounted to \$95.07 a ton, the minimum derived intervention price applicable to any Italian intervention point. In contrast to the uniformity of the intervention price surface in the northern surplus areas, the price map is checkered in the deficit areas of the south. The maximum intervention price applies in and around leading markets such as Rome, Naples, Foggia, and Bari, but lower intervention prices apply in the hinterland. For 1968/69, the minimum intervention price for nondurum wheat in Italy was lowered to \$93.18, 2.0 percent less than in 1967/68, and the price map for northern Italy became checkered. The minimum price applies to Udine, Belluno, and Gorizia-Trieste Provinces in the northeast. Slightly higher intervention prices -- around \$94 -- though lower than they had been a year earlier, apply in most other parts of northern Italy. In Bologna, the intervention price of \$94.88 is only nominally lower than it was in 1967/68. In figure 4, it was not feasible to distinguish between the \$93.18 intervention price in the northeast and the several other prices, up to \$93.92, fixed for other intervention points in northern Italy. In the south, the intervention price remained at the \$98.75 maximum in leading deficit markets, but a few minor adjustments were made in secondary markets.

A uniform intervention price for corn at the level of the lowest derived intervention price, if there would be regional variation, applies throughout the EC. 43/ This uniform price amounted to \$77.00 a ton during July-October 1967, rose gradually with the advance of the marketing season to \$82.58 during May-July 1968, and was \$79.31 at the beginning of the 1968/69 marketing year, August-October 1968. 44/

43/ VO 120, Par. 4 (2), AB1. 117, June 19, 1967, p. 2272.

44/ VO 128, AB1. 120, June 21, 1967, p. 2349-51; VO 539, AB1. L 104 May 3, 1968, p. 2; CEE Informations Marchés Agricoles, Prix, 9, 1968 and 2, 1969.

INTERVENTION PRICES FOR NONDURUM WHEAT, ITALY, JULY-AUGUST 1967



SOURCE: REG. 128 AB 120 21 JUNE 1967
AND REG. 161 AB 128 27 JUNE 1967.

Figure 3

INTERVENTION PRICES FOR NONDURUM WHEAT, ITALY, AUGUST 1968



SOURCE: REG. 1030, AB L 176, 23 JULY 1968.

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Figure 4

For Italy, this review of the fundamentals of the CAP on grains would be incomplete without a discussion of the supplementary levy on nondurum hard wheat from mid-1963 to mid-1967. The introduction of the transitional CAP for grains on July 30, 1962 gave rise to a special problem in Italy regarding the importation of nondurum hard wheat. During 1962/63, the Italian threshold price for durum wheat exceeded that for standard nondurum wheat by \$33 a ton. After deduction of the quality differential of \$12 a ton for Manitoba No. 2, a leading high-grade nondurum hard wheat, a differential of \$21 a ton remained. In other words, the levy-paid price for Manitoba No. 2 wheat tended to be \$21 a ton less than that for durum wheat, and that durum wheat price tended to reflect the domestic price level. Thus, the wheat price structure created an incentive to substitute imported nondurum hard wheat for durum wheat in pasta products to the extent possible. Nondurum wheat imports into Italy were 814,000 tons during July 1961-June 1962, the year preceding the adoption of the transitional CAP on grains. After a very large wheat crop in 1962, nondurum wheat imports dropped to 178,000 tons in 1962/63, when no supplementary levy on these imports was in effect. However, 2.2 million tons of all wheat, 23 percent of the crop, were delivered to the intervention agency (placed under price support) in 1962. 45/ Thus, the magnitude of the price-support operation may have influenced the genesis of the supplementary levy. The Italian Government was apprehensive that large tonnages of domestic durum wheat might find no commercial markets and might have to be taken over by the intervention (price-support) agency.

In view of this, the EC Commission authorized Italy, effective July 1, 1963, to collect a supplementary levy on nondurum hard wheat imports. That levy, together with the regular one, was intended to raise the levy-paid import price of the most valuable nondurum hard wheats to a level not higher than \$2 a ton below the threshold price for durum wheat. In 1963/64, the first year with the supplementary levy in effect, nondurum wheat imports amounted to 388,000 tons. During the following 3 years, mid-1964 to mid-1967, this differential was increased to \$5 a ton and related to Manitoba No. 2 wheat. This was a slight liberalization of a highly protective measure. 46/

Authority to apply the supplementary levy to nondurum hard wheats expired when the unified CAP for grains became effective on July 1, 1967. 47/ As a substitute measure, Italy decreed that all pasta products must be made entirely from durum wheat; no substitution of any nondurum hard wheat has been permitted since January 1, 1968 (see p. 14). Compliance with this new Italian law was made easy by the EC pricing provisions for durum wheat that had become effective in mid-1967. The EC-wide threshold price for that grain, at the beginning of the marketing year 1967/68 was set at \$123.13 a ton. A year earlier, the Italian threshold price had been \$147.20. Similarly, the intervention price in the largest surplus area was reduced from \$136.80 at the beginning of 1966/67, to \$110.24 at the beginning of 1967/68. These significant reductions were offset by the guarantee of a minimum price of \$145 a ton for durum wheat at the marketing center of the leading surplus area (wholesale, purchasing stage,

45/ Associazione Granaria Milano. Annuario 1965, p. 104.

46/ EC. Commission Decisions 63/433, J.O. 115, July 27, 1963, p. 2069f; 64/391, J.O. 103, June 30, 1964, p. 1613f; 65/340, J.O. 125, July 9, 1965, p. 2131; 66/386, J.O. 117, June 29, 1966, p. 2167f.

47/ VO 120, AB1. 117, June 19, 1967.

f.o.b. carrier, not unloaded, at an elevator). The guarantee is actually redeemed in the form of a subsidy payment amounting to \$34.76, the difference between \$145.00, the guaranteed price, and \$110.24, the applicable intervention price.

Originally, the EC sought to avoid direct producer payments of this kind. However, practical considerations dictated their adoption for a few commodities. For durum wheat, the adoption of direct producer payments and a lower market price has brought the threshold price, \$123.13 a ton, within \$6.75 of the threshold price for Manitoba No. 2 wheat, \$116.38; that is, the standard non-durum wheat threshold price, \$104.38, increased by the quality differential of \$12.00. That \$6.75 differential is only slightly more than the \$5.00 differential provided under the mid-1964 to mid-1967 supplementary levy for nondurum hard wheat. Thus, four coordinated measures were intended to minimize changes in basic supply conditions and, at the same time, to stimulate durum wheat demand:

- (1) abolition of the Italian supplementary levy on nondurum hard wheat,
- (2) the Italian pasta law,
- (3) a sharp reduction in the durum wheat threshold price, and
- (4) introduction of a guaranteed minimum price for durum wheat, maintained by direct payments.

INVENTORY OF ITALIAN GRAIN PRICE REPORTING

Trade and Government agencies publish a great mass of Italian grain price data. Unfortunately, the interrelationship of the several series is not always clear. In this chapter, the principal series of grain prices are inventoried, compared, and analyzed with respect to their underlying concepts.

Trade Price Reporting

Primary collection of grain prices in Italy takes place at the weekly market sessions of the exchanges. Principal grain markets and market days for them are:

Monday -- Alessandria, Bergamo, Casalpusterlengo, Ferrara, Forli, L'Aquila, Lecce, Mantua, Modena, Novara, Pescara, Soresina, Trento, Varese, Verona.

Tuesday -- Abbiategrasso, Ancona, Bari, Bologna, Bolzano, Casale Monferrato, Catania, Chieti, Crema, Cuneo, Florence, Genoa, Lodi, Naples, Perugia, Pesaro, Reggio Emilia, Rome, Rovigo, Treviso, Vercelli, Vicenza, Voghera.

Wednesday -- Asti, Belluno, Brescia, Cremona, Lecco, Lucca, Macerata, Milan, Parma, Pavia, Piacenza, Pisa, Pistoia, Ravenna, Rimini, S. Angelo Lodigiano, Siena, Tortona.

Thursday -- Biella, Carpi, Chiari, Como, Fiorenzuola d'Arda, Grosseto, Mantua, Melegnano, Monza, Novara, Novi Ligure, Orvieto, Padua, Rome, Santhia, Turin, Trieste, Udine.

Friday -- Abbiategrasso, Bergamo, Bologna, Casale Monferrato, Catania, Cuneo, Ferrara, Florence, Forli, Genoa, Lecce, Modena, Mortara, Naples, Nizza Monferrato, Reggio Emilia, Rome, Vercelli, Verona, Voghera.

Saturday -- Adria, Ancona, Arezzo, Brescia, Cremona, Domodossola, Lodi, Lucca, Milan, Mirandola, Orvieto, Padua, Parma, Pavia, Perugia, Piacenza, Pinerolo, Pistoia, Ravenna, Siena, Tortona, Treviglio, Treviso, Venezia Mestre, Vicenza. 48/

The senior author visited the floor of the Milan Grain Exchange on Wednesday, June 1, 1966. As long as trading took place, there was neither any posting nor any calling out of prices or transactions. Trading closed at 4 p.m. A large committee of the "Associazione Granaria di Milano," the grain trade association that operates the Exchange, made up of a few experts for each kind of grain, seed, or pulse, and for any other commodity traded, gathered in a room adjacent to the trading floor. After approximately half an hour, the writer was told, price ranges within which each commodity was traded during the day are posted and, during the night, these price ranges, with comparable data for the preceding week, are published in *Il Mercato dei Cereali*, the weekly paper of the "Associazione Granaria di Milano." These price ranges are republished elsewhere. For instance, the weekly paper, *L' Informatore Agrario*, issued in Verona each Thursday, shows price ranges for principal commodities traded in Milan and in 15 other markets.

Generally, weekly grain price quotations in the two weekly papers are identical for the Milan market. However, *Il Mercato dei Cereali*, the Milan paper, specifies that the quotations are "prices per quintal (100 kg), railcar, truck or tankcar, basis Milan, prompt consignment and payment, exclusive of packing material and taxes, sound, legal and commercial merchandise" (emphasis added). *L' Informatore Agrario* specifies for all its grain market quotations, "prices per quintal, wholesale, on the holding, for the merchandise referred to at the location of production, free on departing vehicle, prompt consignment and payment, exclusive of taxes, bags and commissions" (emphasis added). The important difference between the two specifications is the locality -- Milan, according to *Il Mercato dei Cereali*, and locality of production, according to *L' Informatore Agrario*. As will be explained later, there is some evidence that the Milan location is the correct one, but this conclusion necessarily implies an inaccuracy for the Milan quotations published in *L' Informatore Agrario*.

With a considerable time lag, *Il Mercato dei Cereali* publishes simple monthly averages of the midpoints of the weekly price ranges for a large number of grains, seeds, pulses, flours, and oils in 36 markets. Thus, December 1967

48/ Associazione Granaria Milano. Annuario 1961. Markets with underscored names are also mentioned in *L' Informatore Agrario*, Verona, April 6, 1967, p. VI-662, or in IRVAM, Nota Mensile sull' andamento dei mercati agricoli, Rome, Apr. 1967, pp. 6, 7, 19.

averages were published at the end of March 1968, and January 1968 averages, at the end of May 1968. These tabulations of monthly prices carry the note: "For conditions of sale which differ from place to place, see the specific price lists in the various cities."

In addition to variations in sale conditions, the statistical quality of the data published may be affected by the practice of first reporting price ranges and subsequently averaging and summarizing these in the form of their midpoints. The Exchange price committee, which agrees on price ranges to be published, may be satisfied that this method of price reporting is more complete than that of reporting a single price. However, the midpoint of the range reported may not be the most representative price. Indeed, the daily economic and financial Milan newspaper, Il Sole -- 24 Ore, publishes maximum prices rather than midpoints, which implies that the maxima are more reliable price indicators than the midpoints. ^{49/} Thus, the original reporting of price ranges may result in less reliable price series than the reporting of a single price that might be considered representative by the price committee of the exchange.

Government Price Reporting

Government agencies that publish weekly or monthly grain prices are the Central Institute of Statistics (Istituto Centrale di Statistica -- ISTAT) and the Institute for Agricultural Market and Price Research and Information (Istituto per le Ricerche e le Informazioni di Mercato e la Valorizzazione della Produzione Agricola -- IRVAM), a semi-independent, governmentally sponsored and financed agency.

Price Reporting by the Istituto Centrale di Statistica (ISTAT)

Regular ISTAT Series.--ISTAT publishes monthly price series for individual markets in its monthly bulletin (Bollettino Mensile di Statistica). These monthly price series are basic in the governmental agricultural price-reporting system. ^{50/}

49/ May 31, 1966 edition, p. IV. The maxima shown in that issue are identical with those in Il Mercato dei Cereali.

50/ The "wholesale prices of some agricultural products in principal markets" are reported on a heterogeneous basis for the various markets, as shown by the explanatory footnote in the Bollettino: "Prices collected by the Provincial Statistical Offices at the seat of the Chambers of Commerce, Industry, Crafts, and Agriculture according to standards issued by the Central Institute of Statistics. The branch of the seller's economic activity is shown in the column 'Sector of sale': A = Agriculture; I = Industry; C = Commerce. Though the conditions of sale (place of delivery of the product, packaging, etc.) in a single market are the same over the course of time, they may differ from market to market. This explains why, even with other things being equal, there may be different prices for the same goods in the various markets considered."

Under this price-reporting system, prices received by farmers are treated as identical with wholesale prices; that is, the same price quotations must do double duty as prices received by farmers and as wholesale prices. The Institute, however, recognizes the peculiarities of agricultural price reporting within its wholesale price-reporting system. In its publication, Technical Standards, ISTAT spells out the necessity to distinguish the collection of prices of products sold by farmers from that of prices of products sold by nonagricultural traders. 51/ Prices for products sold by farmers are usually collected at "centers of transactions;" that is, organized markets. 52/ For grains, such markets are the weekly market sessions of the exchanges referred to earlier. Price collection in the "areas of sale" takes place as a supplement to, or in the absence of, price collection that takes place in the centers of transaction. 53/ Technical Standards also mentions that every price must be designated by the locality in which the sale took place. In this context, locality of sale is defined as the place of delivery of the goods -- "which usually is the farm, the factory, or the warehouse of the producer or of the commercial retailer." 54/ Similarly, the English-language Italian Statistical Abstract issued by ISTAT refers to "average prices obtained by the producer...for commodities at the enterprise... . Unless otherwise indicated, the average price is obtained from prices made at various representative markets which generally are provincial chief-town Communes." 55/

Landmann of the EC Statistical Office found that in 1959/60, 70 of 84 non-durum wheat price observations related to delivery on the farm, 10 price observations involved wheat delivered to an elevator, and 4 price observations pertained to wheat delivered to the railroad station nearest the farm. 56/ Thus, most price observations were "farmgate prices."

At the same time, there is considerable evidence that price reporting differs from market to market with respect to the conditions of sale. Even when the provisions of Technical Standards are fully complied with, a question arises as to the compatibility of price collection primarily at "centers of transactions" with the reference to the place of delivery of the goods usually at the farm. To interpret Technical Standards consistently means that farmers usually contract for the sale of their grain at the weekly exchange sessions; but the sales contracts in most, though not all instances, provide for delivery on the farm. This provision means that, typically, the place of physical delivery of grain in the Government series differs from that in the Il Mercato dei Cereali series, which carries the specification "full railcar, truck or tank, basis Milan."

In connection with the location to which price quotations pertain, the definition of wholesale prices in ISTAT's methodological bulletin on price index numbers is of interest: "For the computation of the indexes, the term 'wholesale prices' means all prices received by the seller from commercial transactions

51/ ISTAT. "Metodi e Norme," Series B, No. 8, June 1960, Art. 9; for translation, see app. 1.

52/ ISTAT, op. cit., Art. 10.

53/ ISTAT, op. cit., Art. 15.

54/ ISTAT, op. cit., Art. 8.

55/ 1963 edition, p. 118; emphasis added.

56/ Landmann U. *Betrachtungen zur Aufstellung einer langfristigen Agrarpreisstatistik der EWG-Länder*. SOEC. Statistical Information, 1965, 2, p. 131.

between firms." 57/ While acknowledging the preferability of first-stage prices, the Italians do not limit the concept to this stage alone: "Whenever possible, it is preferable to use the prices of goods at the first stage of exchange, and more precisely, 'production prices' for domestic goods and 'import prices' for foreign goods." 58/

For the benefit of readers familiar with U.S. concepts, the definition used by the U.S. Bureau of Labor Statistics is presented: "The term 'wholesale' as used in the (Wholesale Price) index, refers to sales in large lots at the first (primary market) level of commercial transactions; later transactions at other stages in the distribution cycle are not included...." 59/ In contrast, the Italian definition does not mention size of lots, and it does not categorically exclude transactions after the primary market level. To increase the vagueness of the Italian wholesale price concept, ISTAT's methodological bulletin, after introducing the concepts of "producer price" and "import price," introduces the concept of "the wholesale price (in the strict sense) if the seller is the commercial wholesaler." 60/ Under the U.S. definition, the wholesale price is a wholesaler's purchase price; under the Italian definition, it may be a wholesaler's selling price.

Even at the primary market level, there is some vagueness. Landmann also cites the indefiniteness of the concept "wholesale price" in Italian statistics:

In general, the several marketing levels are defined with sufficient precision in existing official agricultural price statistics. However, it also happens that the prices of the first sale by the producer are collected, without differentiation as to whether these prices were obtained in transactions between producer and local traders who perform an assembly function or between producer and bona fide wholesale traders. An example for this lack of differentiation is found in the Italian price statistics on grains and livestock for slaughter. In a true sense, the price observation refers to a marketing level which is a mixture of several levels. 61/

In essence, Landmann says that the Italian wholesale price definition omits any reference to large lots.

The official U.S. definition of prices received by farmers also carries this dilemma of a marketing level that may be wholesale or "pre-wholesale;" that is, a transaction involving small quantities that the buyer assembles into wholesale lots; but in contrast to the Italian doubling up of the same price series as wholesale prices and as prices received by farmers, the U.S. "prices received by farmers" are not considered wholesale prices.

Under the standards issued by ISTAT, price collection is the responsibility of the Chamber of Commerce, Industry, and Agriculture in each Province. The secretary general of each chamber selects price collectors. Thus the Government delegates local price collection to a basically nongovernmental organization, which, by virtue of this delegation, assumes an official function.

57/ See app. 2 (section 5); p. 113.

58/ Ibid.

59/ Wholesale Prices and Price Indexes, Jan. 1967 Final and Feb. 1967 Final, U.S. Dept. of Labor, Bur. of Labor Stat., 1967, p. 60.

60/ App. 2, next to last paragraph of section 5.

61/ Landmann U. Op. cit., p. 118. 37

According to the ISTAT standards, price collection should include reference to the kind, variety, quality, quantity, location, and other pertinent characteristics of the products involved. Terms of payment should also be reported. Moreover, the prices collected, when multiplied by the quantity sold, should equal the sales proceeds. This last requirement is somewhat theoretical, since little is known and nothing published regarding quantities sold in any market and at any market session. Typically, prices of products such as grains, which are traded at weekly market sessions, are collected weekly. The monthly price data that are published are simple arithmetic means of the weekly price data collected.

The price data thus obtained are edited. The edited data are subject to a higher-level review and revision by a "Price Commission" established with each provincial Chamber of Commerce, Industry, and Agriculture.

Indications are that despite some heterogeneous price reporting from market to market, as shown in the Bollettino mensile footnote quoted on page 35, ISTAT aims at reporting agricultural "wholesale" prices in the markets where the products are sold for the first time. The place of transfer is typically, but not always, on the farm.

The concept of prices being reported at the place where the farmer sells his products is identical with that governing the reporting of "prices received by farmers" in the United States, as defined by the Statistical Reporting Service, U.S. Department of Agriculture. 62/

A principal difference between U.S. and Italian farmers is that the former typically do not sell their products on the farm, but deliver them "in their own conveyances or in local conveyances which they hire for the purpose" to local markets, usually in a nearby town. By contrast, Italian farmers typically, but by no means always, transfer title to the products they sell, on the farm. Nevertheless, ISTAT's grain prices, although published as part of ISTAT wholesale prices, are more similar to U.S. "prices received by farmers" than to U.S. wholesale prices. This conclusion has been reached for two principal reasons: (1) Nearly all ISTAT grain prices specify agriculture as a branch of the seller's economic activity (in contrast to commerce or industry) and (2) the sales specification is not limited to large transactions; for instance, a railcar lot, as is the case for the grain price quotations included in the U.S. wholesale price index.

National Average ISTAT Series.--The methodology of Italian grain price reporting shows only limited concern with weighting problems. Technical Standards for wholesale price collection mentions that "the prices (to be collected) when multiplied by the quantity sold give an amount of proceeds to

62/ "Series of 'prices received by farmers,' as published by the Department of Agriculture, relate generally to average prices farmers receive for their products sold at local markets, or at the point to which farmers deliver their products in their own conveyances, or in local conveyances which they hire for the purpose." Statistical Reporting Service of the U.S. Department of Agriculture, U.S. Dept. Agr., Stat. Rpt. Serv., Misc. Publ. 967, Dec. 1964, p. 155.

be credited to the actual or hypothetical account of the seller's enterprise." 63/ Here is a strategic reference to "quantity sold." Actually, price reporting seems to take place without explicit reference to, or knowledge of, quantities sold.

The absence of weighting in Italian grain price reporting causes severe imperfections in price averaging over space and over time. Italians have been uncertain how to obtain representative national averages from their wholesale price series. Consequently, the standard statistical publications tend to emphasize local; that is, Provincial prices, and to deemphasize national averages. The Bollettino mensile and the Annuario Statistico Italiano report only local; that is, Provincial prices, but no national averages. On the other hand, the Annuario di Statistica Agraria, the handbook-type Compendio Statistico Italiano and its English-language edition, the Italian Statistical Abstract, contain crop year price series that are prominently displayed as if they were representative national averages. 64/ Actually, these crop year series are simple averages of the price series in a few Provinces of principal production. 65/

The Annuario di Statistica Agraria also shows national producer prices for calendar years in an international table in which similar prices for many other countries are shown.

Though not publishing them, the Italian Government reports monthly "national average" producer prices for grain crops to the Statistical Office of the European Communities (SOEC). SOEC publishes these monthly "national average" prices as producer prices in Agrarpriese-Prix agricoles. The simple crop year averages of these monthly prices are identical with the crop year prices published by ISTAT in the Annuario di Statistica Agraria and in the Compendio Statistico Italiano. SOEC also publishes these "national average" crop year averages in the annual price issue of its series, Agricultural Statistics. 66/

During the transitional 5-year period for the CAP on grains, 1962/63-1966/67, the crop year average national producer price for nondurum wheat was amazingly stable. The 5-year average was 6,894 Lit, with a spread of only 185 Lit from the highest to the lowest annual price (table 12).

The highest intervention price; that is, the one in the area of greatest deficit, was raised by 246 Lit during that period. This rise was contrary to the concept that the 5-year transitional period should be used for the gradual adjustment of prices toward the EC-wide unified level that became effective in mid-1967. During the first 2 transitional years, the producer price averaged 216 Lit (3.2 percent) above the highest intervention price. During the next

63/ ISTAT. Norme Tecniche per la Rilevazione dei Prezzi all' Ingrosso delle Merci. Metodi e Norme, Serie B, 8, p. 8, Art. 6, June 1960.

64/ ISTAT. Annuario di Statistica Agraria, Vol. XIV, 1967, p. 21. ISTAT. Compendio Statistico Italiano, 1965, p. 244. ISTAT. Italian Statistical Abstract, 1962, p. 125, and Italian Statistical Abstract 1963, p. 118.

65/ Landmann, U., op cit., pp. 124-28.

66/ 1960 - No. 8; 1961 - No. 1, 1962 - No. 3; 1963 - No. 4; 1964 - No. 3; 1965 - No. 4; 1966 - No. 4; 1967 - No. 4; 1968 - No. 4.

Table 12.--Comparison of national average producer prices with highest and lowest intervention prices for nondurum wheat, Italy, 1962/63-1967/68 and July 1967-December 1968

Year or month	National average producer prices	Highest intervention price	Lowest intervention price
-- <u>Lit/100 kg</u> --			
July 1962-June 1963	6,826	6,617	6,417
July 1963-June 1964	6,991	6,767	6,342
July 1964-June 1965	6,949	6,863	6,423
July 1965-June 1966	6,896	6,863	6,403
July 1966-June 1967	6,806	6,863	6,403
July 1967-July 1968	6,617	6,376	6,128
July 1967-June 1968	6,663	6,393	6,153
1967:			
July	6,380	6,172	5,942
August	6,417	6,172	5,942
September	6,486	6,231	6,001
October	6,583	6,290	6,060
November	6,747	6,349	6,119
December	6,743	6,408	6,178
1968:			
January	6,812	6,467	6,237
February	6,781	6,526	6,296
March	6,756	6,585	6,355
April	6,743	6,644	6,414
May	6,762	6,703	6,473
June	6,750	6,172	5,824
July	6,067	6,172	5,824
August	6,074	6,172	5,824
September	6,115	6,231	5,883
October	6,130	6,290	5,942
November	6,214	6,349	6,001
December	6,285	6,408	6,060

Source: SOEC. Agrarpreise, 3, 1969, p. 11; ISTAT. Annuario di Statistica Agraria. 1965 and 1968 Vol. I; CEE Informations. Marchés Agricoles, Prix, 10, June 13, 1967, p. 20; 11, July 9, 1968, p. 21; and 4, Mar. 11, 1969, p. 21.

2 years, however, the producer price exceeded the raised highest intervention price only slightly, and during the last of the 5 transitional years, the producer price was 1 percent less than that intervention price.

Throughout the transitional years, the lowest intervention price; that is, the one in the area of greatest surplus, changed little. The excess of the average producer price over the lowest intervention price averaged 496 Lit and ranged from 403 to 649 Lit.

The first marketing year under the unified CAP on grains entailed a reduction of 470 Lit (6.8 percent) in the highest intervention price and a reduction of 250 Lit (3.9 percent) in the lowest intervention price. The average producer price dropped only 143 Lit (2.1 percent) below the preceding year, and thus exceeded the highest intervention price by 270 Lit (4.2 percent). ^{67/} This excess was not only different from the near equality of average producer prices and highest intervention prices during the 3 preceding years, but it was also in sharp contrast to comparative price levels in France and Germany, where national average producer prices were lower than the lowest average intervention price. This French and German experience may have occurred because of heavy marketings soon after harvest or lower wheat quality than the standard to which intervention prices apply, or both.

In Italy, the average producer price during each month, July 1967 through June 1968, was also higher than the highest intervention price; however, in July 1968, the average producer price dropped sharply to a level between the highest and lowest intervention prices. It continued in that relative position during August-December 1968 and was considerably less than it had been during each corresponding month a year earlier. If these Italian producer price movements are statistically representative, they indicate a more gradual transition of the economy to the lower nondurum wheat price level under the unified CAP than does the steeper decline from 1966/67 to 1967/68 in the Italian intervention prices. A decline in production (caused by the fall 1966 floods), the price-enhancing tendency of levy-paid imports, skillful marketing, and imperfect price reporting may all have helped bring about this result.

The calendar year averages in the *Annuario di Statistica Agraria* and in *Agrarpreise* are shown in table 13.

For 1962, the *Annuario* and *Agrarpreise* series are the same; for 1965, they are similar. For 1963 and 1964, the question arises as to whether the *Annuario* series is bedevilled by typographical errors, since the calendar year averages published in *Agrarpreise* approximate the actual averages of the monthly prices also published in *Agrarpreise* 6,928 vs. 6,930 Lit for 1963 and 6,975 vs. 6,964 Lit for 1964.

^{67/} The administrative marketing year, exceptionally, was a 13-month, July 1967 through July 1968, year. July prices tend to be low; thus, the 13-month average prices, also shown in table 12, are slightly lower than the 12-month averages discussed in the text.

Table 13.--National average prices for nondurum wheat from two sources,
Italy, calendar years 1962-65

Year	Annuario di Statistica Agraria 1/	Agrarpreise
	<u>Lit/100 kg</u>	<u>Lit/100 kg</u>
1962	6,651	<u>2/</u> 6,651
1963	6,228	<u>3/</u> 6,928
1964	6,957	<u>4/</u> 6,975
1965	6,988	<u>4/</u> 7,000

1/ Vol. XV, 1968, Tomo 1.

2/ 1964, No. 12.

3/ 1965, No. 12.

4/ 1966, No. 12.

The following number of provincial price series are used in making the "national average" for the several grain crops: 68/

Wheat, nondurum	<u>69/9</u>
Wheat, durum	6
Barley	8
Oats	8
Corn	<u>69/8</u>
Rice	3

This exclusive use of only a few provinces is surprising for wheat, which is a principal crop all over Italy. Corn and rice production, on the other hand, are more localized in the Po Valley. 70/ Production of barley and oats is not important in Italy.

The absence of national averages for grain price series in two of the four standard Italian statistical publications is the more astonishing, since

68/ Agrarpreise-Prix agricoles, 1968, 4, Apr.

69/ The nine markets for nondurum wheat are: Turin, Milan, Pavia, Verona, Rovigo, Bologna, Ferrara, Rome, and Foggia. The eight markets for corn are: Turin, Cuneo, Milan, Brescia, Venice, Padua, Udine, and Campobasso. Verbal information obtained by the senior author during a visit to ISTAT, May 21, 1966.

70/ INEA. Annuario dell' Agricoltura Italiana, Vol. XX: 1966, pp. 221-228. Econ. Res. Serv. A Graphic Summary of World Agriculture, U.S. Dept. Agr., Misc. Publ. 705, Sept. 1964.

national average "wholesale price index numbers" are published for all wheat (nondurum and durum combined), all other grains, flour, and many other product groups. These categories are weighted when the overall national wholesale price index and the sectoral and class indexes are computed. 71/ There is interproduct weighting in the making of the index. Thus, it is somewhat surprising that there is no weighting when the provincial product prices are averaged into the national average product prices from which the indexes are calculated.

The ISTAT Technical Standards publication even refers to the existence of such national price series. 72/ Yet, these national average prices receive only limited publicity in ISTAT publications. Landmann states:

There are several reasons why several prices have not been published so far. In some instances, it is due to the fact that they are included in the national index of agricultural producer prices as a price series and that their absolute level sometimes was not considered as fully representative, although it could be assumed that they correctly reflected trends. 73/

The distinction between not fully representative absolute prices and price index numbers of acceptable representativeness creates some difficulties. If the lack of representativeness is due to faulty weighting (or no weighting), such a shortcoming affects national averages whether expressed as absolute prices or as index numbers. On the other hand, the averaging of "farmgate" prices with "off-farm" prices at an elevator or rail siding where the farmer delivers his grains appears legitimate. This type of averaging takes place whenever the price concept employed is a "unit value" concept; that is, "a price which, if multiplied by the total quantity of the commodity sold, would give the total amount received by all farmers for that commodity." 74/ It implies averaging of prices received for larger and smaller quantities that are delivered on the farm or to markets more or less distant from the farm. The crucial criterion is that the first sale of the product is priced. The resultant average must necessarily differ from a price quotation carefully specified in every respect, such as place, type, grade, packaging, quantity, and other particulars.

71/ Indexes for agricultural products and indexes for nonagricultural products are called sectoral indexes. Indexes for edible crop products, edible livestock products, industrial edible products, and so on, are called class indexes.

72/ ISTAT. Numeri Indici dei Prezzi, Serie A, 6, Art. 6, Rome, Aug. 1967, p. 12. ". . . most agricultural and livestock product prices are collected not only for calculating the index, but also for calculating average prices in the principal markets. Sufficiently long historical series of average prices now exist and these prices seem to be preferred to the corresponding index numbers by scholars and technicians."

73/ Landmann, op.cit., p. 122.

74/ Statistical Reporting Service of the U.S. Department of Agriculture, op. cit., p. 155.

Table 14 shows an attempt to derive the published wholesale price indexes for all wheat for the calendar year 1967 and for June 1967 and 1968, from their underlying prices. According to the 1954 English-language edition of the Italian Statistical Abstract, the annual national average prices shown there are used in calculating the index number. 75/

The 1967 published index of 96.0 percent of the 1966 base compares with 95.8 percent obtained from our calculation. The June 1967 published index of 99.6 compares with 98.3 percent based on calendar year 1966 and with 101.3 percent based on the month of June 1966. The June 1968 published index of 95.4 percent compares with 94.9 percent based on calendar year 1966 and with 97.8 percent based on the month of June 1966. Thus, the monthly and calendar year national average prices that ISTAT transmits to the Statistical Office of the European Communities for publication in Agrarpreise are not the prices underlying ISTAT's index numbers. The statement in the Italian Statistical Abstract 1954 that the published annual national average prices are used in calculating wholesale price index numbers was not found in more recent available editions of either the Italian Statistical Abstract or the Compendio Statistico Italiano, and this omission may be significant.

The analysis of price averaging, thus far, has emphasized spatial aspects. The averaging of prices also has a temporal or seasonal aspect.

The national crop year average prices just discussed as simple averages of a few Provincial price series are also simple averages of monthly price quotations. Thus, no attention is paid to seasonal differences in the rate of marketings, and presumably heavier marketings early in the crop year affect the crop year average no more than the presumably lighter marketings towards the end of the crop year. Since prices have a tendency to advance with the progress of the marketing year, simple averaging results in an upward bias. This means that averages, more heavily weighted early in the marketing year, when marketings are heavy and prices lower, and less heavily weighted later, when the opposite conditions prevail, would be lower than simple averages.

The national average crop year price series for nondurum wheat pertains only to market prices. It excludes prices obtained from intervention; that is, placement of wheat under Government support, and now under European Agricultural Guidance and Guarantee Fund (FEOGA) support.

Before the transitional CAP for grains took effect on July 30, 1962, the Italian Government required the delivery by producers of certain tonnages of wheat at fixed support prices. The tonnages were decreased during the last few years before 1962. The fixed prices varied by major sections of the country: (a) northern and central Italy, (b) southern Italy, and (c) insular Italy. 76/

75/ Italian Statistical Abstract 1954, p. 80: "The above are average prices of each product used in calculating the index numbers. Such data, in view of the inadequate specification of the grade of the product and of the stage of transaction to which they relate are only roughly representative of the average domestic prices of products. However since they are perfectly homogeneous in time, they are particularly suitable to measure the variations in prices during the 3 years considered."

76/ INEA Annuario dell' Agricoltura Italiana, vol. XVI: 1962, p. 261.

Table 14.--Wheat prices, and wheat price index numbers, 1966-67 and month of June, Italy, 1966-68

Year or month	Prices		
	Soft wheat (weight .755)	Durum wheat (weight .245)	All wheat (weighted average)
	<u>Lit/100 kg</u>	<u>Lit/100 kg</u>	<u>Lit/100 kg</u>
1966	6,791	9,196	7,380.2
1967	6,767	7,995	7,067.9
June 1966	6,569	8,987	7,161.4
June 1967	7,029	7,960	7,257.1
June 1968	6,750	7,786	7,003.8
All wheat price index numbers			
Published index : Percentage of : Percentage of (1966 = 100) : June 1966 : calendar year 1966			
1967	96.0	---	95.8
June 1967	99.6	101.3	98.3
June 1968	95.4	97.8	94.9

Source: Soft and durum wheat prices from SOEC, Agrarpreise 1968, 3, 9, and 11. Weights from ISTAT. Numeri Indici dei Prezzi, Aug. 1967, p. 19. Published index numbers from ISTAT. Bollettino mensile, 12, 1967, and 10, 1968.

During the 5 crop years 1957/58-1961/62, the support price for southern Italy was 250 Lit/100 kg (about 4 percent) above the support price for northern and central Italy. The support price for insular Italy was 500 Lit/100 kg (about 8 percent) above that for northern and central Italy. Reflecting the importance of northern and central Italy, the weighted averages of the fixed support prices for the compulsory deliveries of nondurum wheat were only 1.0 to 1.5 percent above the fixed support price for northern and central Italy. These averages, however, were from 3 to 8 percent less than the national average price for free market sales (table 15). The proportion that compulsory deliveries represented of all sales ranged from 16 to 22 percent during 1957/58-1959/60 and from 9 to 12 percent during 1960/61-1961/62. Thus, the weighted averages of the compulsory delivery prices and free market sales prices were over 99 percent of the free market sales price. The series of average prices weighted by free market and compulsory delivery sales was discontinued when "intervention;" that is, voluntary deliveries for price support under the transitional CAP for grains, took the place of the compulsory deliveries with the beginning of crop year 1962/63.

The existence of two apparently independent grain price reporting systems, one run by the trade and the other under the auspices of ISTAT, raises the question of their relationship.

Relationship Between Trade and ISTAT SERIES

A comparison of 11 series of monthly corn prices in nine markets, as published in the Bollettino Mensile of ISTAT, with their equivalents, as published in the trade publication, Il Mercato dei Cereali during 1967, gave the following results: Five series in four markets were identical (Alessandria, Bologna, Cremona, and Pavia) (table 16); five series in four markets were not identical (Brescia, Ferrara, Padua, and Treviso). In Milan, the leading grain market, the ISTAT price quotations were always 200 Lit (32 cents) per 100 kg less than the trade quotations.

Similarly, the monthly nondurum wheat price quotations for Milan in 1967 in the ISTAT series were mostly 200 Lit less than in the trade series (table 17).

The grade of wheat to which the trade series averaged monthly in Il Mercato dei Cereali pertains is designated "buono mercantile" (good commercial); the Bollettino Mensile price series has no grade designation. Il Mercato dei Cereali also reports prices for a lower grade, designated as "mercantile" (commercial), on a weekly basis and, in an annual summary table, by months and for the year as a whole (table 18). From April 1965 to December 1967, the price differential for quality; that is, the difference between buono mercantile and mercantile, averaged 104 Lit/100 kg. The prices for buono mercantile wheat, as well as for mercantile wheat, were higher in the Il Mercato dei Cereali series than the prices in the Bollettino Mensile series (except in June 1965 when the mercantile price equalled the Bollettino Mensile price). From the beginning of 1964 through March 1965, however, the differential between the two qualities of wheat averaged 194 Lit, and Bollettino Mensile prices exceeded mercantile prices. During the 4-year period 1964-67, the difference between buono mercantile and mercantile prices tended to decline from about 200 to about 100 Lit. At the same time, the difference between buono mercantile and

Table 15.--National average prices for compulsory deliveries,
free market sales, and weighted averages of these,
nondurum wheat, Italy, 1957/58-1961/62

Crop year	Compulsory deliveries	Free market sales	Weighted average
-- Lit/100 kg --			
1957-58	6,765	7,000	6,949
1958-59	<u>1/</u> 6,760	6,247	<u>1/</u> 6,328
1959-60	6,269	6,504	6,454
1960-61	6,295	6,846	6,797
1961-62	6,285	6,648	6,605
:			

1/ These two prices may be in error. Dr. U. Landmann, who had compiled the price series in the source document, wrote the senior author on Oct. 10, 1964, that the monthly guaranteed prices for northern and central Italy during Jan.-June 1959 were 6,200 lit (not 6,700 Lit as shown in the source document). However, he advised no revision of the crop year price shown in the table above, which is an average of both monthly and regional prices. INEA showed a price of 6,700 Lit in northern and central Italy for 1958/59 in its *Annuario XII*, 1958 (p. 245) but revised that figure to 6,200 Lit in *Annuario XIII*, 1959 (p. 254) and in the following three volumes. However, the *Gazzetta Ufficiale della Repubblica Italiana*, the authoritative source for Government-decreed prices, shows no such revision. The 1958/59 price was simply decreed the same as for 1957/58; that is, 6,700 Lit (Regulation 721, June 13, 1958, published in *Gazzetta Ufficiale* No. 143, June 17, 1958, p. 2534). The crop year 1959 (that is, 1959/60) price was set at 6,200 Lit (Regulation 751, Nov. 14, 1958, published in *Gazzetta Ufficiale* No. 278, Nov. 19, 1958, p. 4282). No revision of the 1958/59 price could be found in the *Gazzetta Ufficiale*. Also, FAO, *National Grain Policies*, 1960, Supplement 2, p. 25, and *Associazione Granaria Milano*, *Annuario*, 1961, p. 120, show the 1958/59 support price as 6,700 Lit. The text in the FAO document specifically mentions that the reduction to 6,200 Lit took place in 1959/60. Yet, the relationship with the free market price of the compulsory delivery price of 6,760 Lit for 1958/59 shown in the table above is unusual. A national average compulsory delivery price (column 1) and a weighted average (column 3) not more than the free market sales price of 6,247 Lit would be somewhat more in line with the relationship of prices in all other years. But according to the *Gazzetta Ufficiale*, the usual relationship; that is, with the compulsory delivery price lower and the free market price higher, was reversed in 1958/59, and growers received prices substantially higher for their compulsory deliveries than for their free market sales.

Source: SOEC. *Agrarpreise, Prix agricoles*, Sonderheft IA, Jan. 1963,
pp. 25-26.

Table 16.—Corn prices in Bollettino Mensile (I) and Il Mercato dei Cereali (II) compared for 11 series in nine markets, Italy, January—December 1967

Note: see footnotes at end of table.

Continued--

Table 16.--Corn prices in Bollettino Mensile (I) and Il Mercato dei Cereali (II) compared for 11 series in nine markets, Italy, January-December 1967--Continued

Note: see footnotes at end of table.

Continued--

Table 16.--Corn prices in Bollettino Mensile (I) and II Mercato dei Cereali (II) compared for 11 series in nine markets, Italy, January-December 1967--Continued

Month	C. Similar series in Milan market	
	Ibrido (I)	Nazionale comune (II) 2/
-- Lit/100 kg --		
January	4,637	4,837
February	4,687	4,887
March	4,675	4,875
April	4,650	4,850
May	4,625	4,825
June	---	---
July	---	---
August	---	---
September	---	---
October	5,237	5,437
November	5,350	5,550
December	5,400	5,600

1/ Nazionale, semifino (domestic intermediate grade).

2/ Nazionale, comune (domestic common grade).

Table 17.--Nondurum wheat prices in Bollettino mensile and Il Mercato dei Cereali compared for Milan and Bologna, January-December 1967

Month	Milan		Bologna	
	Bollettino mensile	Il Mercato dei cereali 1/ mensile	Bollettino mensile	Il Mercato dei cereali 1/ mensile
-- Lit/100 kg --				
January	6,925	7,125	6,950	7,075
February	6,887	7,087	6,900	7,031
March	6,895	7,095	6,900	7,025
April	6,956	7,156	7,000	7,125
May	7,065	7,265	7,050	7,225
June	7,075	7,275	7,044	7,044
July	6,250	6,437	6,362	6,487
August	6,270	6,475	6,425	6,525
September	6,368	6,569	6,425	6,525
October	6,475	6,675	6,543	6,625
November	6,705	6,925	6,737	6,812
December	6,725	6,925	6,750	6,825
Average	6,716	6,917	6,731	6,860

1/ Buono mercantile (good commercial grade).

Table 18.--Nondurum wheat, price differentials for quality, Milan, 1964-67

Month	Grade			Grade		
	Good	Commercial	Difference	Good	Commercial	Difference
	commercial	commercial	commercial	commercial	commercial	commercial
	-- 1964 --	-- Lit/100 kg --		-- 1965 --	-- Lit/100 kg --	
January	7,262	7,137	125	7,050	6,875	175
February	7,437	7,250	187	7,075	6,900	175
March	7,450	7,225	225	7,095	6,930	165
April	7,410	7,180	230	7,181	7,069	112
May	7,125	6,887	238	7,612	7,475	137
June	6,925	6,675	250	7,750	7,600	150
July	6,410	6,210	200	6,575	6,450	125
August	6,617	6,417	200	6,616	6,491	125
September	6,700	6,500	200	6,780	6,655	125
October	6,912	6,725	187	6,825	6,700	125
November	7,006	6,825	181	6,950	6,825	125
December	7,025	6,850	175	6,950	6,825	125
Year average	7,023	6,823	200	7,038	6,900	138
	-- 1966 --	-- Lit/100 kg --		-- 1967 --	-- Lit/100 kg --	
January	7,050	6,925	125	7,125	7,025	100
February	7,062	6,975	87	7,087	7,003	84
March	7,042	6,975	67	7,095	7,032	63
April	7,037	6,975	62	7,156	7,078	78
May	6,849	6,794	55	7,265	7,165	100
June	6,737	6,675	62	7,275	7,175	100
July	6,550	6,412	138	6,437	6,300	137
August	6,600	6,500	100	6,475	6,350	125
September	6,625	6,525	100	6,569	6,462	107
October	6,637	6,537	100	6,675	6,575	100
November	6,865	6,765	100	6,925	6,825	100
December	6,987	6,906	81	6,925	6,825	100
Year average	6,837	6,747	90	6,917	6,818	99

Source: Il Mercato dei Cereali, No. 9, 1965; No. 8, 1966; No. 9, 1967; and No. 10, 1968.

Bollettino Mensile prices tended to increase from 140 to 200 Lit. Although both differentials displayed some month-to-month fluctuation, the differential between buono mercantile and mercantile prices fluctuated much more than that between buono mercantile and Bollettino Mensile prices. Both series are monthly averages of the midpoints of weekly ranges. Thus, some of the fluctuation in the differential between buono mercantile and mercantile prices was due to the fact that the magnitude of the range for one grade differed from that of the other grade. In other words, the differential between buono mercantile and mercantile maximum prices was not the same as the differential between the corresponding minimum prices for these two grades of wheat.

On the other hand, the differential between buono mercantile and Bollettino Mensile prices, though being increased from time to time, was otherwise so regular that a tendency could be recognized for the Bollettino Mensile price to be derived from the *Il Mercato dei Cereali* buono mercantile price.

Apparently, the differences in the Government series for nondurum wheat and corn prices for Milan, the leading grain market, are intended to reflect location differences. The trade price quotations, as clearly spelled out in *Il Mercato dei Cereali*, refer to products f.o.b. carrier in Milan; the Government price quotations refer to country points -- typically farms -- around Milan and allowed typically 200 Lit/100 kg in 1967 for transportation costs from such points to Milan. For nondurum wheat, the difference had been 120 Lit for at least 5 years ending in 1962. This difference was increased to 140 Lit in 1963, to 150 Lit through October 1966, and has been 200 Lit since then (table 19).

For Bologna, another important grain market, trade and Government price quotations for corn were alike in 1967, as previously indicated (table 16), but the nondurum wheat trade price ranged from 75 to 131 Lit higher than the Government price.

Although the concept of price reporting at the first marketing stage, the farmers' point of sale, is clear, the statistical reporting practice seems to be somewhat variable and of somewhat questionable consistency. This is demonstrated in the explanatory footnote in the Bollettino Mensile, previously quoted, (footnote 50, p.35) which refers to differences from market to market in the price collection practice with respect to conditions of sale, such as place of delivery of the product. It is also demonstrated by the identity of the trade-reported price series with the ISTAT-reported price series in some markets and the nonidentity of these two series in other markets. Most puzzling, however, in this connection, is the identity of the trade and ISTAT price series for corn in Bologna and the nonidentity of two nondurum wheat price series in the same market (tables 16 and 17).

It is quite obvious that ISTAT price collection through the Provincial Chambers of Commerce, Industry, and Agriculture, is highly decentralized. In some markets, ISTAT reports grain prices that are simply the midpoints of the price ranges reported by the trade. These may be markets where the specification applies that *L' Informatore Agrario* applies to all grain markets, "wholesale farm prices per quintal, for the merchandise referred to at the location of production, free on departing vehicle, prompt consignment and payment, exclusive of taxes, bags, and commissions." In other markets, the ISTAT

Table 19.--Nondurum wheat prices in Il Mercato dei Cereali
and Bollettino mensile compared for Milan, 1958-67

Year	Nondurum wheat prices		
	Il Mercato dei Cereali 1/	Bollettino mensile	Difference between the two prices
	-- Lit/100 kg --		
1958	6,750	6,631	119
1959	6,382	6,260	122
1960	6,925	6,805	120
1961	6,842	6,721	121
1962	6,739	6,619	120
1963	2/ 7,039	6,897	3/ 142
1964	7,023	6,868	3/ 155
1965	7,038	6,888	3/ 150
1966	6,837	6,679	3/ 158
1967	6,917	6,716	2/ 201
:	:	:	:

1/ Buono mercantile (good commercial grade).

2/ 7,036.67 in Camera di Commercio, Industria e Agricoltura di Milano, Medie Mensili ed Annuale delle Quotazioni per l'Anno 1963.

3/ Most common monthly difference was 140 in 1963, 150 in 1964-66, and 200 since Nov. 1966.

Source: These data were actually taken from Associazione Granaria Milano, Annuario 1968, p. 84 and ISTAT, Annuario Statistico Italiano 1963, p. 342; 1966, p. 333; and 1968, p. 285. Data for 1962-67 were compared with data in Il Mercato dei Cereali and were found to be identical. Similarly, ISTAT Annuario Statistico data for 1962-67 were compared with data in Bollettino mensile and were found to be identical.

series differs from the trade price series, and the prices shown in the ISTAT series are usually, but by no means always, the lower of the two. ISTAT's generally lower price could imply that it typically prices the grains on the farm, whereas the trade prices them delivered to a trading place.

Reporting by the Statistical Office of the EC

Wholesale vs. Producer Prices.--Long before ISTAT started its Notiziario producer and wholesale price series in 1966 (discussed later), the Statistical Office of the European Communities (SOEC) had attempted to distinguish these two types of prices in its monthly Agrarpreise (table 20). For producer prices, SOEC has published averages of several local price quotations in ISTAT's Bollettino mensile series. These averages, not published in Italy on a monthly basis, have been transmitted to SOEC by ISTAT through the Italian Agriculture Ministry (p. 39). As wholesale prices, Milan prices transmitted by the Camera di Commercio in Milan have been published in Agrarpreise. Through July 1963, these wholesale prices tended to be 1 to 3 percent higher than the average of the 10 (later nine) markets published as producer price series. Beginning in August 1963, however, and through October 1968, the Milan wholesale price for nondurum wheat, published in Agrarpreise as representative for Italy, tended to be 1 to 2 percent less than the producer price published in Agrarpreise. This negative margin was illogical. If a distinction between wholesale and producer prices is made, the former should be higher than the latter to reflect both geographical and functional distance from the producer. 77/

Through July 1963, Agrarpreise published Milan prices from Il Mercato dei Cereali as wholesale prices. However, beginning with August 1963, Agrarpreise showed the lower Bollettino mensile prices for Milan as wholesale prices. The same prices were also a component of the series published by Agrarpreise as producer prices (footnote 69, p. 42).

The wholesale price reporting in Agrarpreise for 1966-68 was corrected when revised Milan wholesale prices for nondurum wheat for that period were published in the February 1969 issue of that publication. The revision resulted in a 1- to 3-percent margin of wholesale over producer prices, a margin of the approximate magnitude and variation that had been shown before August 1963.

These revised prices are equal to Milan market prices for the buono mercantile (good commercial) grade, 77-78 kilos per hl, 2-percent impurities, as published in Il Mercato dei Cereali. The revision in Agrarpreise consisted of an increase of 200 Lit/100 kg (150 Lit/100 kg for January-October 1966) over the originally published series. No revisions were published for the period August 1963 to December 1965, for which a producer price exceeding the wholesale price has been shown, just like the excess that had been shown for the period, January 1966 to October 1968, before correction.

The February 1969 issue of Agrarpreise contains Milan wholesale corn prices, 1966-68, similarly revised by an increase of 200 Lit/100 kg (150

77/ Functional distance is assembly from smaller into larger lots, possibly storing and financing.

Table 20.--Wholesale-producer price margins for nondurum wheat and corn, implicit in the Agrarpreise series, Italy, 1959-68

Year and month	Nondurum wheat			Corn <u>2/</u>		
	Wholesale	Producer	Margin	Wholesale	Producer	Margin
			Margin			Margin
-- Lit/100 kg --						
1959	6,380	6,273	107	---	---	---
1960	6,927	6,795	132	---	---	---
1961	6,841	6,725	116	---	---	---
1962	6,739	6,652	87	---	---	---
1963	6,978	6,928	50	---	---	---
1964	6,869	6,959	-90	---	---	---
1965	6,888	7,000	-112	---	---	---
1966	6,679	6,791	-112	4,483	4,639	-156
1967	6,716	6,767	-51	4,907	5,094	-187
1968 <u>1/</u>	6,408	6,500	-92	5,325	5,600	-275
Revisions <u>3/</u>						
1966	6,837	6,791	46	4,683	4,639	44
1967	6,916	6,767	149	5,108	5,094	14
1968	6,542	6,452	90	5,526	5,595	-69
1963:	.....	.....	.....	.....	.....	.....
January	7,055	6,949	106	---	---	---
February	7,125	7,027	98	---	---	---
March	7,150	7,097	53	---	---	---
April	7,275	7,181	94	---	---	---
May	7,355	7,237	118	---	---	---
June	7,375	7,157	218	---	---	---
July	6,675	6,505	170	---	---	---
August	6,583	6,621	-38	---	---	---
September	6,610	6,666	-56	---	---	---
October	6,715	6,765	-50	---	---	---
November	6,885	6,926	-41	---	---	---
December	6,935	7,027	-92	---	---	---
Average	6,978	6,930	48	---	---	---

1/ Jan.-Oct. only.

2/ Corn prices published only since 1968 No. 3 issue.

3/ Beginning with the 1969 No. 2 issue, Agrarpreise published revised data extending back to 1966.

Source: SOEC. Agrarpreise, Sonderheft 1A, Jan. 1963; 1964 No. 3; 1965 No. 4; 1966 No. 3; 1969 Nos. 1 and 2.

Lit/100 kg January-October 1966) over the originally published series. As in the case of nondurum wheat, the original prices for January 1967-October 1968 are the same as ISTAT's Bollettino mensile series; and the revised prices are the same as the Il Mercato dei Cereali series for nazionale comune (domestic ordinary) corn. Despite the revision, the wholesale-producer price margin for 1968 remains negative; producer prices in eight markets averaged about 1 percent higher than the Milan wholesale price.

For 1966, however, the original prices are Il Mercato dei Cereali prices and the revision seems to be erroneous.

The Weekly Series

Besides the monthly and yearly price series already discussed, ISTAT, since January 17, 1966, has published a biweekly Notiziario ISTAT of weekly average prices of crop and livestock food products of interest to the agricultural policy of the EC. In each issue, the publication reports two weekly price series in adjacent columns. Part A consists of producer prices (prezzi alla produzione). Part B contains wholesale prices (prezzi all' ingrosso); it is subdivided into wholesale prices of domestic and of foreign production. A footnote explains the new price reporting project as follows:

Prices or the average of prices in the indicated period (from Saturday to the following Friday) are reported in this Notiziario by the variety and the quality of goods, the stages of trade, the places of delivery, etc., according to the requirements of the agricultural policy of the EEC. Only in particular cases do the monthly averages of these prices agree with the prices reported in the Monthly Statistical Bulletin (Bollettino Mensile di Statistica).

For some grains, the data shown are 'free each place' and for the hectoliter weight (per 100 kilos) indicated. 78/

While this price reporting project is stated to be for the requirements of the agricultural policy of the EC, the Statistical Office of the European Communities appears to make no use of these two series. 79/

Comparison with Marchés Agricoles-Prix Series.--By contrast, the EC Directorate General of Agriculture appears to use the Notiziario ISTAT series in its Marchés Agricoles-Prix; but the evidence is not completely conclusive. For Bologna, corn "market" prices published in the latter were 100 Lit/100 kg

78/ Notiziario ISTAT. Prezzi medi settimanali dei prodotti agricolo-zootecnici alimentari interessanti la politica agricola della CEE. Serie 2, Prezzi e salari, Foglio 23. The first issue is designated "Anno II (sic) no. 1, and dated 1-17-66. The senior author was told at ISTAT on May 26, 1966, that this project was started at the beginning of 1966. The early issues have no serial and foglio designation like the 1968 issues.

79/ Information obtained during a visit to that Office in Brussels on May 11-12, 1966, and verified from its more recent publications.

less than the wholesale hybrid corn prices shown in Notiziario ISTAT during the 33 weeks in 1966 and 1968 for which issues of the two publications were available and permitted comparisons. The basis for the 100 Lit/100 kg deduction made in Marchés Agricoles-Prix is not clear.

For soft wheat, the "market" prices shown in Marchés Agricoles-Prix corresponded more closely to the producer prices shown in Notiziario ISTAT than to the wholesale prices. The reason for this is not clear. In the first half of 1966 and again from August 1968, Marchés Agricoles-Prix showed Udine prices as typical of the area with the greatest soft wheat surplus. Initially, from the beginning of January through mid-February 1966, these Udine prices were 100 to 150 Lit/100 kg higher than the Udine prices in the Notiziario ISTAT series, and related to wheat weighing 78 kg/hl in contrast to Notiziario's 77. From February 17 to May 12, 1966, the two publications showed identical price quotations; but these pertained to the slightly different weights per hl just indicated. From August 22 to September 26, 1968, they showed identical prices with both series pertaining to 78 kg/hl; the two exceptions appear to be typographical errors. However, during the first half of 1968, Marchés Agricoles-Prix used the Bologna market as the typical soft wheat surplus market. The weekly quotations that could be compared with those in Notiziario ISTAT were: January 4 to February 1, 25 Lit/100 kg lower; February 8 to May 24, 50 Lit lower; and May 31 to June 6, the same as those in Notiziario ISTAT. These lower quotations in Marchés Agricoles-Prix related to a grade of 79 kg/hl, while the higher Notiziario quotations related to the slightly lower grade of 78.

To summarize the comparisons between the EC's Marchés Agricoles-Prix and the ISTAT's Notiziario, no reasons could be found why Bologna "market" prices for corn in the former are 100 Lit/100 kg less than corresponding wholesale prices in the latter. For soft wheat price quotations, it is not clear why the EC bases its "market" prices on ISTAT's producer prices rather than on ISTAT's wholesale prices. Following periods with small discrepancies, Marchés Agricoles-Prix soft wheat prices for Udine were the same as those in Notiziario ISTAT for the most recent period for which the two series could be compared.

Producer and Wholesale Prices Compared.--The distinction between producer and wholesale price series made in Notiziario ISTAT is not found anywhere else in Italian Government statistics. Producer grain prices are specified as pertaining to goods in bulk, free farm, while wholesale grain prices are specified as free vehicle arriving or departing, including tare, in jute bags unless otherwise indicated. Thus, one important difference between the two series is that producer prices are for bulk grains, whereas wholesale prices are for bagged grains. Pricing in bulk at the producer level and in bags at the wholesale level is somewhat surprising. Ordinarily, the wholesale level of the marketing process is thought of as reflecting relatively large lots that are conceivably assembled from small lots if the marketing process has started with small lots. It is difficult to conceive of bagged grains being typical for the wholesale level and, at the same time, of bulk grains being typical for the producer level of the marketing process, within the same price-reporting system.

Margins between wholesale and producer prices for soft wheat tended to be similar in any given market over time but varied considerably from market to

market (table 21). The margins observed during 2 weeks in May 1968 were the same as those observed during 2 weeks in April/May 1966 for 13 price series in seven markets plus one series in an additional market; but the margins differed for nine series in six other markets plus one series in an additional market. The lowest margins were observed in Forli and Florence and amounted to 50 Lit/100 kg (2.2 cents per bushel). They seem barely sufficient to defray the cost of bagging. The inclusion of tare; that is, the bags, in the wholesale price quotation implies that the price per 100 kg of merchandise, and thus, its margin over the producer price, is slightly more than a wholesale price, and a margin over the producer price on a bulk basis. The highest margins were observed for Rome and amounted to 440 and 555 Lit (19.2 and 24.2 cents per bushel). Rome margins, however, are affected by a slight quality difference: Wholesale prices pertained to wheat weighing 80-81 kg per hl, while producer prices pertained to wheat weighing 80 kg per hl. Other relatively large margins were observed in the important markets of Milan, Padua, Udine, and Foggia. These margins ranged from 325 to 355 Lit (14.2 to 15.5 cents per bushel) and amounted to roughly 5 percent of producer prices. A good portion of these margins seems to consist of the cost of bags.

Margins between the Notiziario ISTAT wholesale and producer price series were also observed for some periods other than those shown in table 21. The constant margin of 350 Lit/100 kg shown in the table for three different types of soft wheat in Milan also prevailed during the 17 weeks, January 1-April 29, 1966. The Bologna margins, by contrast, changed during the periods included in table. The Bologna margin for soft wheat weighing 78 kg/hl was 125 Lit/100 kg on January 5 and February 9, 16, and 23, 1968, but dropped to 100 Lit on March 1, 1968, and continued at that level through the week of May 18, 1968.

The Udine soft wheat price series showed fluctuating margins. Here, the margin between wholesale and producer levels ranged from 280 to 408 Lit and averaged 341 Lit during the first 17 weeks of 1966.

Comparison with Il Mercato dei Cereali Prices.--Notiziario ISTAT producer prices for three grades of soft wheat in Milan were compared with the midpoints of the corresponding Il Mercato dei Cereali prices for 29 weeks during January-April 1966 and February-April 1968. In all 87 comparisons, Notiziario prices were 200 Lit/100 kg (8.7 cents per bushel) less than the midpoints of Il Mercato dei Cereali prices. The difference implies that the Notiziario ISTAT series may not be originally collected series but may be derived from trade price series.

Comparison with IRVAM Prices.--IRVAM reported the same prices as Il Mercato dei Cereali for 18 of 27 pairs of observations for the three grades of soft wheat in Milan during 9 weeks in March and April 1966. Thus, IRVAM prices were also 200 Lit/100 kg above Notiziario ISTAT producer prices. For the other nine pairs of observations, IRVAM prices averaged 182 Lit above Notiziario ISTAT, with individual differences amounting to 150, 162, 187, and 250 Lit.

Comparison with Bollettino mensile Prices.--The monthly averages of the weekly Notiziario ISTAT Milan prices for soft wheat weighing 77-78 kg/hl were 50 Lit/100 kg less than Bollettino mensile ISTAT prices for January-April 1966, and they were the same as the latter for February-April 1968. Again, the

Table 21.--Margins between wholesale and producer prices for soft wheat, as reported in Notiziario ISTAT, Italy, four weeks in May 1966 and 1968

Market	Hectoliter weight	Week beginning--		Lit/100 kg
		Apr. 30, 1966	May 7, 1966	
Turin		79-80	100	200
Cuneo		78-80	100	100
Alessandria		80	200	200
Alessandria		79	200	200
Alessandria		76	200	200
Milan		79-80	350	350
Milan		77-78	350	350
Milan		75-76	350	350
Verona		79-80	150	150
Verona		77-78	150	150
Padua		78-82	350	350
Padua		76-77	350	350
Udine		77-78	325	325
Bologna		79-80	175	225
Bologna		78	125	175
Bologna		75-76	125	175
Ferrara		79	100	100
Forlì		79-80	90	100
Forlì		76-77	135	185
Florence		80	50	50
Perugia		81	200	175
Perugia		79	200	200
Rome		79-81	440	440
Foggia		75-82	330	330

Note: 100 Lit=16 cents; 100 Lit/100 kg=4.354 cents per bushel.

Source: Notiziario ISTAT. Serie 2, Prezzi e Salari, Foglio 23.

regularity of these differences over several months implies that the Notiziario ISTAT price series are probably not independently collected.

Conclusions Regarding the Notiziario ISTAT Series.--Except that the EC's Marchés Agricoles-Prix showed slightly lower soft wheat prices in Bologna from January 4 through May 24, 1968, in all other comparisons, Notiziario ISTAT producer prices were never higher but always lower than or equal to corresponding quotations in other series.

The distinction between producer and wholesale prices made in Notiziario ISTAT must be welcomed from a conceptual viewpoint. However, the dissimilarities in producer to wholesale margins between markets are disturbing. One kind of dissimilarity is quantitative; that is, the margins of 350 Lit/100 kg in leading markets versus the margins of 50 and 100 Lit in other markets. The other kind of dissimilarity pertains to the constant margin found in some markets; for example, Milan and the variable margin observed elsewhere. The constant margin gives the impression that only one kind of price has been collected and that the other price is a nominal quotation derived from the first.

Specifically, the uniformity of the difference for soft wheat quotations between the Milan Grain Exchange and the Notiziario producer price series leads to the conclusion that these Notiziario quotations are nominal and are derived from the Milan Grain Exchange quotations. It is also regrettable that ISTAT has not explained the conceptual difference, if any, between its two new Notiziario price series and the old series published in the Bollettino mensile.

IRVAM Price Reporting

In view of the uncertainties deriving from the decentralized price collection of ISTAT, the governmentally sponsored but semi-independent IRVAM (Istituto Per Le Ricerche E Le Informazioni Di Mercato E La Valorizzazione Della Produzione Agricola, Institute for Agricultural Market and Price Research and Information) in the spring of 1966 started the biweekly reporting of weekly agricultural price series in leading markets. Grain prices were reported in Notiziario IRVAM dei cereali. About 1 year later, in April 1967, IRVAM started daily publication of IRVAM Informazioni with one biweekly issue, "Edizione cereali," devoted to grain price reporting. Since the beginning of 1968, grain price reporting has been on a weekly basis. Since the beginning of 1969, the weekly issue with grain prices has been issued in two parts, Edizione Cereali Foraggeri (Feed Grains Edition) and Edizione Frumento e Risone (Wheat and Rice Edition). Like the weekly trade publications, (Il Mercato dei Cereali and L' Informatore Agrario), IRVAM reports weekly price ranges even though its price collection schedule provides a column for reporting a typical ("prevalent") price, besides minimum and maximum prices. Reporting instructions define prevalent prices as "those associated with the larger volume of goods of the same type and quality" (see app. 5). The result of these instructions with respect to prevalent prices is not reflected in IRVAM's published price reports. Generally, its price reporting aims at the first stage of trading; that is, the prices received by the producer.

Of 60 pairs of minimum and maximum nondurum wheat and corn price quotations reported for Bologna, Milan, Padua, and Rome during April 1967 -- 15 quotations each week for various grades of these two crops -- 24 pairs were alike in L' Informatore Agrario and in IRVAM; 36 differed. Most of the differences, however, amounted to midpoint differences (between minima and maxima) of not more than 50 lire (8 cents) per 100 kg; that is, 1 percent or less. The IRVAM quotations are published with detailed specifications for each price series; for instance: Domestic soft wheat, Bologna, good commercial grade 78-80 kg per hl, maximum impurities 2-percent, humidity 14-percent, f.o.b. in buyer's bags, cash payment. More recently, this particular specification was further refined to indicate that "f.o.b." refers to the farm. 80/

For this type and grade of wheat in Milan, the IRVAM and Il Mercato dei Cereali specifications are the same; but the prices quoted are not. Of the eight maximum or minimum prices shown in each series for April 1967, only two were alike, two were 25 lire per 100 kilos higher, and four were 50 lire higher in the IRVAM series. The average difference was 31.25 lire, or 0.4 percent.

IRVAM also publishes a monthly bulletin, Nota mensile sull' andamento dei mercati agricoli. Before June 1967, that publication contained weekly quotations and monthly averages for a number of markets. Since then, however, only weekly and monthly averages for those markets combined are published in the Nota mensile. These averages of several representative markets are implicitly representative national averages, on an f.o.b. farm basis. Their publication since June 1967, together with comparable data 1 year further back, is significant, because they are the only weekly and monthly series of agricultural prices published in Italy that show at least implicitly representative national average prices. ISTAT, it will be recalled, publishes only crop year average prices in the Compendio, in the Statistical Abstract, and in the Annuario di Statistica Agraria, and calendar year average prices in the Annuario. Monthly national average prices are forwarded to and published by the Statistical Office of the European Communities (SOEC) in Agrarpreise-Prix agricoles.

IRVAM national average corn prices, by month, are compared with ISTAT's similar series, as reported to and published by SOEC in Agrarpreise, in

80/ IRVAM Informazioni. Edizione cereali, No. 6, May 1, 1967; No. 5, Jan. 8, 1968.

table 29 (p. 81). IRVAM prices were lower than ISTAT prices in 19 of the 25 months tabulated. The IRVAM series seems to reflect more truly an f.o.b. farm concept than the ISTAT-Agrarpreise series. However, the difference between the two series narrowed with time. During July 1966-June 1967, the IRVAM series averaged \$1.83 a ton (2.4 percent) less; but during July 1967-July 1968, the difference was only \$0.40 (0.5 percent); and IRVAM prices slightly exceeded the ISTAT series in 5 months of that 13-month marketing year.

Nondurum wheat national average prices for 2 recent crop years in the IRVAM and ISTAT series compare as follows:

Crop year	IRVAM <u>81/</u>		ISTAT <u>82/</u>	
	<u>Dol./m.t.</u>	<u>Pct.</u>	<u>Dol./m.t.</u>	<u>Pct.</u>
1966/67	110.40	101.4	108.90	100.0
1967/68	105.94	99.4	106.61	100.0

Significant in this comparison is the greater price drop from 1966/67 to 1967/68 in the IRVAM series. This may more realistically reflect the lower nondurum wheat price level that resulted from the unified CAP on grains (effective in July 1967).

81/ Computed from monthly data for buono mercantile domestic nondurum wheat in IRVAM. Nota mensile. June 1967-July 1968.

82/ Data from table 31.

In conclusion, IRVAM price reporting with its control more centralized than ISTAT's and its carefully drawn specifications, appears more reliable than ISTAT's price reporting, in connection with nationally representative averages. This conclusion must be tentative, since nothing is known about the methodology of IRVAM's national price averaging. Also, IRVAM's resources are quite limited. Its failure to publish local typical or prevalent prices rather than only minimum and maximum prices has been a disappointment. Also, IRVAM's price series are for only a short period.

Other Price Series

Besides the price series thus far discussed, brief reference must be made to the price series of the INEA Yearbook, and the Economic Commission for Europe-FAO because of their international prominence.

Agra Europe (London) publishes average monthly and fiscal-year prices in British currency and weight units for many agricultural commodities in several European countries; the data are credited to Agra Europe (Bonn).

Agra Europe's corn prices for May and June 1968, after reconversion to lire/100 kg were equal to prices in the Il Mercato dei Cereali series for Milan, also shown as wholesale prices in Agrarpreise since February 1969. Agra Europe characterized these prices as "producer prices for standard quality, free station or market."

Agra Europe's wheat prices could not be reliably traced to any original price series although prices for fiscal years 1965/66 and 1966/67, for June, August, and September 1967, and for July and September 1968 were quite similar to the Agrarpreise national average producer price series, after an obvious conversion error had been corrected (see table 22). (The British currency price data had obviously been obtained by using the post-November 1967 conversion rates). Agra Europe's prices for May, June, and August 1968 differed slightly more from the Agrarpreise series than in the other periods mentioned, but the two series differed by less than 1 percent even during those months.

The Italian National Institute of Agricultural Economics (Istituto Nazionale di Economia Agraria--INEA) in its Yearbook (Annuario dell'Agricoltura Italiana) carries two tables on gross agricultural production for sale by producers. National data on quantities for sale, prices and values by commodities are shown in one table, and similar information broken down by Regions is shown in the other table.

The national wheat prices (INEA series) are given wide international publicity in the annual report, Prices of Agricultural Products and Fertilizers in Europe, published jointly by the United Nations Economic Commission for Europe (UNECE) and the FAO in Geneva. The wheat price shown in this series is a weighted average of nondurum and durum wheat prices. INEA's overall wheat price in calendar year 1966 equals ISTAT's nondurum and durum wheat prices as published in Agrarpreise, weighted by relative production of the two types of wheat (table 23). For 1963-65, this derivation of the INEA overall wheat price is only

Table 22.--Agra Europe's wheat producer prices for northern Italy compared with Agrarpreise nondurum wheat producer prices, selected periods, 1964-68

Period	Agra Europe	Agrarpreise
	Sh./112 lb.	Lit/100 kg
May 1964	39.4167	6,789
May 1965	43.8333	7,550
June 1965	44.5000	7,665
1965/66 <u>1/</u>	46.5833	6,877
		<u>2/</u> (8,023)
1966/67 <u>1/</u>	46.0833	6,803
		<u>2/</u> (7,937)
June 1967	47.5833	7,025
		<u>2/</u> (8,196)
August 1967	43.4167	6,410
		<u>2/</u> (7,478)
September 1967	43.9167	6,484
		<u>2/</u> (7,564)
May 1968	45.5000	6,717
June 1968	46.1667	6,816
July 1968	41.0000	6,053
August 1968	40.8333	6,028
Revised <u>3/</u>	41.4167	6,114
September <u>1968</u>	41.3333	6,102
		6,115

1/ Year beginning July 1.

2/ Agra Europe used erroneous conversion factor from original lire to shillings. Parenthetical figures are incorrect figures resulting from the correct reconversion to Italian currency of Agra Europe's erroneous British currency figures.

3/ Aug. 1968 figures, as revised in Agra Europe No. 291.

Source: Agra Europe, Nos. 278, 282, 287, and 291 (London weekly). Various issues of SOEC, Agrarpreise.

Table 23.--All wheat prices, INEA, compared with nondurum and durum wheat prices, ISTAT, Italy, 1963-66

Year	INEA wheat price 1/	Lit/100 kg			Pct.
		INEA wheat price 1/	ISTAT nondurum wheat price	ISTAT durum wheat price	
1966	7,214	2/6,791	2/9,196	82	82
1965	7,357	3/6,896	3/9,463	82	80
1964	7,274	3/6,949	3/9,518	87	83
1963	7,333	3/6,991	3/8,608	79	77

1/ INEA. Annuario dell'Agricoltura Italiana Vol. XX: 1966, Rome, table 169 and Vol. XVIII: 1964, Rome, table 151. The same data are published in UNECE/FAO. Prices of Agricultural Products and Fertilizers in Europe 1966/67. Geneva, 1968, Annex p. 4. These data are indicated as pertaining to crop years 1963/64 and 1964/65 and to calendar years 1965 and 1966.

2/ SOEC. Agrarpreise. Dec. 1968. Calendar year prices.

3/ ISTAT. Annuario di Statistica Agraria, Vol. XV, Tomo 1, 1968, Rome, 1968, p. 21. For 1965, calendar year prices should have been used as was done for the INEA price; however, since no calendar year price for durum wheat has been published, crop year prices were used in the table.

4/ Calculated from production data in Annuario di Statistica Agraria, op. cit., p. 5.

approximate; the INEA wheat price is slightly less than the weighted average of ISTAT's nondurum and durum wheat prices. This seems to be due to the inclusion -- in the INEA-UNECE/FAO series -- of intervention (price-support) sales to the Government at prices lower than the national average producer prices obtained in the free market (see table 12).

An explanatory footnote carried by UNECE/FAO and unchanged since 1960/61 -- that is, before the effective date of the transitional CAP for grains -- reads: "average of government and free market prices for soft and durum wheat." Since 1962/63, reference to Government prices has implied intervention prices under CAP. Average intervention prices -- that is, unit values of sales by farmers to the intervention agency -- have not been published; thus, our supposition cannot be proved. Before 1962/63, the Government had required compulsory deliveries ("ammasso") for tonnages that were decreased over time: 1.6 million tons a year, 1954/55-1956/57; 1.2 million tons each of the following 3 years; 1.0 million tons in 1960/61; and 0.8 million tons in 1961/62. 83/ These deliveries were made at average prices that during the last 3 years, 1959/60-1961/62, ranged from 6,269 to 6,295 lire per 100 kg and from 92 to 96 percent of the national average crop year price in the ISTAT series. 84/

INEA national corn prices are not shown in Prices of Agricultural Products and Fertilizers in Europe. These corn prices differ from those in the ISTAT series, in some years significantly, and, over the years 1961-66, in an irregular fashion (table 24). The difference is surprising, since INEA's source note reads "compiled by INEA in cooperation with ISTAT."

INEA's Regional wheat and corn prices were compared with the range of prices in the several markets or the simple market price in each of the seven principal Regions producing these crops, as reported by ISTAT (Bollettino mensile) (table 25). In only 11 of 26 such comparisons was INEA's Regional price within the range of the pertinent ISTAT quotations or reasonably close to ISTAT's single-market price quotations. In 15 of the 26 comparisons, INEA's Regional price was outside the ISTAT range; or, where ISTAT reported only one price in a Region, INEA's price differed substantially from ISTAT's. In seven instances, INEA quoted prices above the ISTAT range, and in eight instances, INEA prices were below the ISTAT range; or, where ISTAT reported only one price in a Region, INEA's price was at least 6 percent less than ISTAT's.

So that more could be learned about INEA's Regional prices, these were also compared with Il Mercato dei Cereali price series (table 26). In 28 comparisons, 20 INEA prices fell within the range of Il Mercato dei Cereali prices; or, where Il Mercato dei Cereali reported only one price in a Region, INEA prices differed by not more than 3 percent from them. Only eight INEA prices were outside the Il Mercato dei Cereali range; or, where Il Mercato dei Cereali reported only one price in a Region, INEA prices differed by more than 6 percent from

83/ FAO. National Grain Policies. Suppl. No. 2, 1960, p. 26; Suppl. No. 3, 1961, p. 21; and Suppl. No. 4, 1962, p. 19.

84/ SOEC. Agrarpreise, Sonderheft 1A. Jan. 1963, and table 15, p. 47 of this report.

Table 24.-- Comparison of INEA and ISTAT national average corn prices, Italy, 1961-66

Year	INEA 1/	ISTAT 2/
		-- <u>Lit/100 kg</u> --
1966	4,814	4,856
1965	5,249	4,700
1964	5,144	4,912
1963	5,043	4,831
1962	4,625	4,699
1961	4,271	4,234

1/ INEA. Annuario dell'Agricoltura Italiana, vols. XVI, XVIII, and XX.

2/ ISTAT. Annuario di Statistica Agraria, vol. XIII, 1966 and vol. XV, Tomo 1, 1968. Data pertain to July to June years beginning in the year shown.

Table 25.--INEA's Regional wheat and corn prices compared with ISTAT's Bollettino mensile prices, Italy,
1965 and 1966

Region	1965			1966		
	Wheat		Corn	Wheat		Corn
	Bollettino	INEA	Bollettino mensile	INEA	Bollettino mensile	INEA
-- Lit./100 kg --						
Piemonte	6,942-7,067	6,868	4,628-5,747	5,788	6,690-6,910	6,737
Lombardia	6,826-6,927	6,870	4,588-5,363	5,668	6,600-6,735	6,694
Veneto	6,848-6,920	6,909	4,739-5,961	4,753	6,632-6,670	6,675
Emilia-Romagna	6,760-7,235	6,837	4,879	4,825	6,527-6,946	6,750
Toscana	6,997-7,215	6,952	6,377	5,550	6,909-6,965	6,998
Marche	6,944-7,004	6,886	1/	4,820	6,774-6,921	6,750
Lazio	7,117-7,175	7,240	6,550	6,121	6,970-7,033	7,217

⁶⁹ 1/ No quotation.

Source: ISTAT. Bollettino mensile di Statistica, June 1966 and June 1967. INEA. Annuario, Vol. XX, 1966,
table 174.

Table 26.---Comparison of Il Mercato dei Cereali and INEA annual prices, Italy, 1965-66

Region	1965			1966		
	Wheat		Corn	Wheat		Corn
	Il Mercato dei Cereali	INEA	Il Mercato dei Cereali	INEA	Il Mercato dei Cereali	INEA
-- Lit./100 kg --						
Piemonte	6,642-6,937	6,868	4,036-6,287	5,788	6,656-6,807	6,737
Lombardia	6,839-7,189	6,870	4,567-5,491	5,668	6,600-6,931	6,694
Veneto	6,843-6,916	6,909	4,684-6,075	4,753	6,597-6,663	6,675
Emilia-Romagna	6,991-7,119	6,837	4,711-6,616	4,825	6,748-6,950	6,750
Toscana	7,075-7,213	6,952	5,647	5,550	6,875-7,005	6,998
Marche	6,979	6,886	5,152	4,820	6,952	6,750
Lazio	7,169	7,240	5,692	6,121	6,753	7,217

1/ Range for types of corn is from lowest comune to highest semifino.

Source: INEA. Annuario dell' Agricoltura Italiana, Vol. XX, 1966. Il Mercato dei Cereali. Issues of Feb. 16, 1966, and Apr. 19, 1967.

Il Mercato dei Cereali prices. In four of these eight instances, INEA quoted prices above the ISTAT range or at least 6 percent above ISTAT's single price. In four other instances, INEA quoted prices below the ISTAT range or at least 6 percent below the single ISTAT quotation in a Region.

The greater conformity of INEA's regional prices with the Il Mercato dei Cereali prices is again surprising, in view of INEA's source note, mentioned earlier, "compiled by INEA in cooperation with ISTAT." The differences in all three series -- INEA, ISTAT, and Il Mercato dei Cereali -- serve to show the serious lack of precision in grain price reporting in Italy.

ANALYSIS OF ITALIAN GRAIN PRICES

The Corn-Wheat Price Relationship in Italy

The Past

Like many things Italian, Italy's grain price relationship has long been distinctive. Corn prices were low. From 1898 to 1962, the corn price averaged 70 percent of the nondurum wheat price (table 27). ^{85/} While this price relationship is similar to that of the United States, it is unlike that of any other nation in Europe.

It is difficult to determine how this distinctive relationship began. Barzini might see it as another manifestation of a characteristic he identified in *The Italians*: "They think they're too old and too wise to imitate their northern neighbors and prefer instead to imitate the ways of old Rome." ^{86/}

High wheat prices in Italy are nothing new -- they were high in classical Rome, too. Then, high transportation costs caused high prices for Egyptian and Sicilian wheat in Rome and kept imports of such wheat to a small proportion of total requirements. ^{87/}

When Italy became a nation in 1861, European agriculture was in transition. A farmer found it difficult to remain self-sufficient and isolated. He was forced to become a part of a money economy and to raise a cash crop -- wheat. At the same time, America's virgin wheatlands were opening; railroads were being built; ocean transportation costs fell drastically. ^{88/} Then came the long global depression, 1873-1896, and with it, a protectionist drive. In 1878, Italian farmers' demands for a protective tariff were granted. With protectionism, Italy remained nearly self-sufficient until the end of the century. From that time until Italy's entry into World War I in 1915, wheat remained protected by a tariff, and the price of wheat remained very high

^{85/} This average is the arithmetic mean, median, and mode of 60 annual observations.

^{86/} Barzini, Luigi. *The Italians*, Bantam Books, New York, 1964, p. 345.

^{87/} Jasny, N. Wheat Prices and Milling Costs in Classical Rome. *Wheat Studies XX*, Food Research Institute, Stanford, California, March 1964, pp. 137ff.

^{88/} Lipsey, Robert E. *Price and Quantity Trends in the Foreign Trade of the United States*, National Bureau of Economic Research, Princeton University Press, Princeton, 1963, p. 47.

Table 27.--Comparison of market prices of wheat and corn, Milan, 1898-1967

Year	Nondurum	Corn 2/	Corn relative
	wheat 1/	Dol./m.t.	to wheat
1898	52.96	28.93	55
1899	47.56	27.54	58
1900	48.54	28.56	59
1901	49.93	30.46	61
1902	47.48	29.14	61
1903	46.01	32.31	70
1904	45.74	28.56	62
1905	49.22	33.78	69
1906	47.09	30.88	66
1907	45.93	28.76	63
1908	52.21	33.00	63
1909	58.67	37.15	63
1910	54.04	33.74	62
1911	52.79	32.13	61
1912	59.31	40.22	68
1913	53.97	31.61	59
1914	53.82	33.80	63
1915	66.36	46.61	70
1916	58.24	43.36	74
1917	59.93	47.94	80
1918	69.79	51.52	74
1919	74.21	54.37	73
1920	44.58	30.39	68
1921	60.84	45.47	75
1922	56.19	45.80	82
1923	46.58	41.79	90
1924	52.15	41.75	80
1925	71.44	47.64	67
1926	78.11	43.84	56
1927	72.31	42.83	59
1928	70.58	57.45	81
1929	68.47	47.90	70
1930	66.73	35.25	53
1931	52.54	28.31	54
1932	56.38	36.14	64
1933	61.77	36.73	60
1934	73.59	51.52	70
1935	86.45	64.67	75
1936	86.34	62.24	72
1937	69.26	43.48	63
1938	75.39	46.06	61

Continued--

Table 27.--Comparison of market prices of wheat and corn, Milan, 1898-1967--Con.

Year	Nondurum wheat <u>1/</u>	Corn <u>2/</u>	Corn relative to wheat
	Dol./m.t.	Dol./m.t.	Pct.
1939	76.90	49.88	65
1940	78.11	55.05	70
1941 <u>3/</u>	---	---	---
1942 <u>3/</u>	---	---	---
1943 <u>3/</u>	---	---	---
1944 <u>3/</u>	---	---	---
1945 <u>3/</u>	---	---	---
1946	288.61	211.98	73
1947	632.40	258.95	41
1948	164.20	103.27	63
1949	131.50	89.74	68
1950	104.43	84.68	81
1951	105.17	95.63	91
1952	111.94	91.55	82
1953	116.67	91.01	78
1954	116.42	84.53	73
1955	116.35	100.51	86
1956	110.86	105.23	95
1957	113.17	89.73	79
1958	108.00	85.02	79
1959	102.12	84.61	83
1960	110.80	81.52	74
1961	109.47	82.02	75
1962	107.82	90.29	84
1963	112.62	98.13	87
1964	112.37	103.18	92
1965	112.61	102.03	91
1966	109.39	110.29	101
1967	110.67	113.26	102

1/ Buono mercantile (good commercial) grade.

2/ Nazionale fino (fine domestic), the grade of corn considered superior to buono mercantile (good commercial) generally cited elsewhere in this study. The superior quality and price of nazionale fino is especially evident in the last few price observations.

3/ No quotation of conversion rates, 1941-45.

Source: Associazione Granaria Milano. Annuario 1961 and Annuario 1968. Converted from Lit by factors from Fed. Reserve Board.

relative to that of corn. 89/ The tariff on wheat was suspended in 1915. 90/ Italy's wheat production did not keep pace with its population expansion. By 1920, a third of the wheat consumed in Italy was imported.

Relatively high wheat prices and low corn prices did not mean that corn was not a food grain. Well into the post-World War II period, corn was a significant factor in the Italian diet. From 1910 to 1949, from 34 to 57 percent of all available corn was used as human food (table 28). Today, only 3 percent of all corn produced in or imported into Italy is for human consumption. Thus, until one or two decades ago, a comparison of Italian wheat and corn prices was not necessarily a comparison of bread grain and feed grain prices.

Developments starting with Mussolini's march on Rome in 1922 brought wheat price policy to the focus of national policy. Italy's bumper wheat crop of 1923 forced domestic prices below import prices for U.S. wheat. A meager harvest in 1924 suddenly reversed Italy's domestic prices: high prices and a short supply made Italy vulnerable to heavy imports of wheat.

Increased wheat imports in 1924 threatened the stability of the lira. Decades away from the tourist boom and car exports, the only solution to Italy's financial problem seemed to be to reduce imports. And the only major good for which domestic production could replace importation was wheat. The instability of the situation deteriorated with the murder of the Socialist Deputy Matteotti.

It was against this background that Mussolini in 1925 launched his "Battle of Wheat," an aggressive and well-publicized campaign to create national spirit as a panacea to Italy's political and economic woes and to divert public attention from the issues raised by Matteotti's murder. 91/

Stefano Jacini and Ghino Valenti, leading agricultural economists in Italy before World War I, had pointed out the desirability of foregoing self-sufficiency in wheat and limiting Italy's wheat area. 92/ But Mussolini promised that self-sufficiency would make Italy truly independent and strong, and that the Government's intervention in the grain market would bring tranquillità to the Italian nation.

A permanent wheat committee was formed in mid-1925 to stimulate more intensive wheat cultivation and to support domestic wheat prices. These goals were pursued by the reimposition of the duty on wheat at the rate of 7.50 gold lire per 100 kg, the rate that had applied at the time of suspension 10 years

89/ In table 27, the inverse relationship is shown; that is, corn prices are shown as percentages of wheat prices. These percentages ranged from 55 to 70 during 1898 to 1915. Their maximum during that period equalled their average during 1898 to 1962.

90/ Schmidt, Carl T. *The Plough and the Sword*, Columbia University Press, New York, 1938, p. 51.

91/ Schmidt, op. cit. pp. 47f. and Schmidt, Carl T. *The Italian "Battle of Wheat,"* *Jour. Farm Econ.*, Vol. XVIII, (4): Nov. 1936, pp. 645-656.

92/ *Ibid.*, p. 69.

Table 28.--Corn: Total available and amount available for human food,
Italy, 1910-67

Year <u>1/</u>	Total	For human	Share of avail-
	available	food	able corn for
	Mil. m.t.	Mil. m.t.	Pct.
1910-14 average	3.06	1.18	39
1915-19 average	2.61	.95	36
1920-24 average	2.73	1.11	41
1925-29 average	3.13	1.27	41
1930-34 average	3.13	1.33	42
1935-39 average	3.04	1.25	41
1940	3.49	2.00	57
1941	2.62	1.23	47
1942	2.48	1.12	45
1943	1.68	.60	36
1944	2.18	.91	42
1940-44 average	2.49	1.17	45
1945	1.48	.51	34
1946	2.38	1.11	47
1947	2.04	.72	35
1948	2.33	.98	42
1949	2/	2/	2/
1945-49 average	2.06	.83	40
1950-54 average	2/	2/	2/
1955	2/	2/	2/
1956	3.76	1.08	29
1957	4.15	.99	24
1958	4.57	.97	21
1959	4.95	.86	17
1955-59 average	4.36	.98	23
1960	5.52	.78	14
1961	5.67	.51	9
1962	6.00	.41	7
1963	7.36	.35	5
1964	7.53	.27	4
1960-64 average	6.42	.46	7
1965	8.87	.29	3
1966	8.92	.26	3
1967	3/9.07	.24	3

1/ 1910-48, years beginning Oct.; calendar years thereafter.

2/ Data not available.

3/ Production plus revised imports (as shown in ISTAT. Bollettino mensile di Statistica, Mar. 1969, p. 50).

Source: Barberi, Benedetto. Le disponibilità alimentari della popolazione italiana dal 1910 al 1942, Rome; ISTAT, 1946, Tav. I, p. 15; as revised and updated by ISTAT, Annuario Statistico Italiano 1949-50, Serie V-Vol. II, Tav. 429, p. 413; and by Bilancio alimentare tables in later issues.

earlier. From 1928 to 1931, the duty rate was increased 2 1/2 fold in four steps, one each year. 93/ Schmidt points out that the reimposition of the duty and the 1928 and 1931 increases in rates took place after the greater part of the marketable production from small-and medium-sized farms had left the tenant farmers' hands. Thus, the majority of the Italian population -- including the small-and medium-sized farmers -- only suffered as bread prices rose. The higher prices were conceived not only as a production incentive but also as a consumption deterrent. Wheat consumption did fall. The peasants and farmworkers were advised to eat "little bread and less meat." 94/ With corn prices fluctuating around 70 percent of wheat prices, people ate more corn.

In 1931, a duty was placed on corn too. In the same year, compulsory mixing regulations for flour were introduced to minimize the importation and use of foreign wheat. Finally, in 1935, wheat imports were subjected to strict quota control. 95/ This control enabled the Government, after the poor harvest of 1936, to reduce the duty on wheat drastically. In three steps during the fall and winter of 1936/37, that duty was reduced from 75 to 18 paper lire per 100 kg. Also beginning in 1936, compulsory pooling of wheat for sale was introduced. In addition to these measures, there were national wheat production prizes, subsidized sales of fertilizers and tractors, and low-cost gas for farm use.

93/ These duty rates were first fixed in gold lire per 100 kg and later in paper lire, as shown by Schmidt. Their equivalents in U.S. currency per bushel are shown by N. W. Hazan in The Agricultural Program of Fascist Italy, Journal of Farm Economics 15(3), July 1933, pp. 489, 498.

Effective Date	Duty rates on wheat, Italy, 1925-31		
	<u>Gold Lit/100 kg</u>	<u>Paper Lit/100 kg</u>	<u>Dol./bu.</u>
July 24, 1925	7.50	---	0.38
September 12, 1928	11.00	---	0.57
May 23, 1929	14.00	---	0.72
June 4, 1930	16.00	---	0.82
August 16, 1931	19.00	75	1.02
	:		

94/ Salvemini, Gaetano. Under the Axe of Fascism, New York, Fertig Publishing Co., 1936, p. 359, or London, Victor Gollancz, Ltd., 1936, p. 393; see also Schmidt, op.cit., p. 164. The quoted phrase was attributed to Professor Bizzozzero, a Fascist agricultural expert, and was originally published in L'Avvenire Agricolo and reproduced in Corriere Padano, June 14, 1931.

95/ Schmidt, p. 51.

Wheat production did increase; the "Battle of Wheat" was a near victory. Self-sufficiency was almost attained, though Italy's wheat yields remained below those of France and far below those of Great Britain and Germany. Emphasizing wheat production, Mussolini overlooked other agricultural sectors. Prices made it profitable to raise wheat almost anywhere.

In 1928, when questioned about Italy's protectionism, Mussolini, the man responsible for Italy's high wheat price level, used the standard alibi of all protectionists: He sought to justify his action as necessary retaliation against the others. He defensively compared the European countries to the walled towns of the Middle Ages, each arming itself against the others. And he pleaded that he could not reduce the Italian tariff as long as the other nations were building higher tariff walls against Italy. 96/ Forty years later, those medieval walls have tumbled down, but the European Common Market has used the stones to construct a wall around Europe. Unfortunately, the new wall not only allows wheat prices to be high, but also has raised corn prices just at the moment when Italy was at last able to concentrate on the development of its livestock industry.

Transition to High Feed Grain Prices Within the EC

Italians have wanted to postpone, as long as possible, the adjustment to higher feed grain prices that the CAP has required, and at least for the time being, to avoid any discouragement to wheat, sugarbeet, and tomato production. They were particularly concerned about this because of the recent introduction of new techniques that resulted in lower corn production costs. In addition, they claimed that since most domestically produced corn is fed on the farm where produced, high corn prices would hurt the meat consumer more than they would benefit the corn grower. 97/

The low prices for corn imports into Italy established a trade pattern in the first year of the transitional period, 1962/63, when corn began to be exported from Italy to Germany. Those exports increased to half a million tons in 1965, before they declined and virtually ended (table 3). According to all available information, these exports were re-exports of imported corn, but were reported in Italian trade statistics as exports 98/ because the imported corn, having cleared Italian customs was considered to be nationalized. In October 1965, for instance, the Italian threshold price for corn was \$64.80 per m.t.

96/ Alfred Pearce Dennis, Mussolini Takes a Flyer in Wheat, *The Country Gentleman* XCIII, Feb. 1928, p. 6.

97/ Francesco Grinzato. *Convegno Nazionale della Maiscoltura, Dei Prezzi del Mais in Relazione alle Esigenze delle Produzione Veneto Inserita in Campo Nazionale e Comunitario*, Treviso, 1966, in Fred A. Mangum, *The Grain Livestock Economy of Italy with Projections to 1970 and 1975*, op.cit., p. 62.

98/ The Italian export figure (*Statistica Annuale del Commercio con l'Estero*) for the record year 1965 (494,000 m.t. of corn exported to West Germany) approximately agrees with the corresponding German import figure (*Aussenhandel*) viz. 504,000 metric tons of corn imported from Italy in 1965.

and the German intra-Community levy on Italian corn was \$15.95. Thus, it cost \$80.75 plus freight from an Italian port to ship such "Italian" corn into southern Germany. By contrast, the German threshold price governing importation through North Sea ports was \$105.30. Thus, it cost \$105.30 plus freight from Hamburg, Bremen, or Emmerich on the Rhine (at the Dutch border) to get corn into southern Germany. 99/ Importing corn into West Germany through Italy was profitable because of Italy's low import price, despite the presumed high cost of transporting grain from Italian ports over the Alps, compared to the cost of river transport from North Sea ports to South Germany. Traders through Italian ports were able to reap windfall profits.

When the Common Market established a uniform price for corn throughout the EC on July 1, 1967, Italian corn prices were suddenly higher. The loophole allowing re-exports to Germany had previously been narrowed by slightly higher Italian threshold prices and by higher German levies on Italian corn. As of July 1, 1967, the loophole was closed.

While a transitional feature of the 1967 EC Grain Regulation allows feed grain imports into Italy at a lower levy than into other EC countries until mid-1972, a fee offsetting part of this discount in the levy must be paid when feed grains are shipped from Italy to other EC countries.

The levy on corn imported into Italy from non-EC countries is reduced below the EC level by \$10.63 per ton during the grain marketing year 1967/68; \$10.00 per ton during the grain marketing years 1968/69 and 1969/70; and \$7.50 per ton during the years 1970/71 and 1971/72. But even with this concession, the threshold price for corn as of the beginning of the marketing year 1969/70, August 1969, was 29 percent higher than in 1965. 100/ The threshold price of corn had been raised only moderately from the beginning of the transitional CAP on grains on July 30, 1962, through December 1965. It amounted to \$61.00 a ton initially and to \$64.80 from October 1964 to December 1965. As of January 1966, however, seasonal escalation of the threshold price began. Moreover, at the beginning of each marketing year, the threshold price has been higher than the year before, and at the end of the marketing year 1968/69, in July 1969, it amounted to \$88.69 and was 37 percent above the October 1964 to December 1965 level.

With these successive year-to-year price increases, an increase in corn acreage might have been expected. However, no such increase in total corn acreage has taken place through 1968 (table 10).

Thus a direct response to the steady rise in corn prices since 1966 has hardly been noticeable: The increase in hybrid corn acreage and production started long before corn prices began to rise as a result of the unified CAP for grains. The additional stimulus to corn production resulting from the lowering of administrative nondurum wheat prices under the unified CAP for

99/ Threshold price and levy data from CEE Informations. *Marchés Agricoles, Prix*, No. 10, 1966.

100/ \$64.80 a m.t. Oct. 1964-Dec. 1965, *Marchés Agricoles, Prix*, No. 9 and 19, 1965; and \$93.69 minus \$10.00 equals \$83.69 in Aug. 1969. Foreign Agriculture, U.S. Dept. Agr., May 5, 1969, p. 6.

grains may have had too little time to assert itself, because in its first year, 1967/68, the Italian average national nondurum wheat market price dropped surprisingly little, only by 2.1 percent from 6,806 to 6,663 Lit/100 kg. A much steeper decline occurred during the first half of the 1968/69 marketing year.

One explanation for Italian farmers not responding to higher corn prices by expanding corn acreage is that only about one-third of the corn produced is marketed. 101/ Thus, the effect of higher corn prices on Italian farmers who use the corn they produced on their farm is only indirect.

The smaller Italian farmer does not plant more corn because he lacks confidence in future higher prices. He has attributed the higher prices of the past 2 years to a favorable market situation, not to the unified CAP on grains of which he is often unaware. 102/ Also, the smaller farmer is unable to make the necessary capital investments for mechanizing his production. Along with hybrid corn, more machinery is recommended to prepare the soil, to cultivate, to harvest, and to dry. In addition to lacking confidence in corn prices, the Italian farmer has been disappointed by hybrid corn yields, which, on the average, continue to be below those promised by the advocates of hybrid corn. But all the contributing factors, irrigation, labor, machines, insects, and disease, though they are obstacles to expanding hybrid corn acreage elsewhere, are not decisive obstacles in Italy's corn belt in the Po Valley. The problem there is the possible alternative uses of the land. The Po Valley is suited to many crops. Soft wheat, rice, and sugarbeets have been competitive with corn. As the price of corn continues to increase, corn acreage in the Po Valley is bound to expand. An increase of \$1 a ton in the threshold price over a year earlier became effective on August 1, 1969. On August 1, 1970, the levy discount for corn will be reduced from \$10.00 to \$7.50 a ton and on August 1, 1972, it will disappear. In addition, the lowering of the intervention prices for nondurum wheat in parts of northern Italy that took place in 1968 may tend to boost corn production.

The corn price increases of the past and of the future are not without negative effects: Higher corn prices mean higher costs for the livestock industry. Ultimately, this is translated into higher meat prices for consumers in a country with a meat deficit.

101/ According to INEA, *Annuario dell' Agricoltura Italiana*, Vols. XVIII, 1964, table 151, and XX, 1966, table 169, production for sale 1963-66 ranged from 31 to 37 percent of total production. Dr. Romano Graziani, Director for Italy, U.S. Feed Grains Council, Rome, by letter April 9, 1969, estimated that 30 percent of production may enter the market. Fred A. Mangum, Jr., in the *Grain Livestock Economy of Italy*, op.cit., p. 61, cites an anonymous study, *Il Mercato del Mais*, with an estimate of 20 percent of corn production entering the market.

102/ Graziani, op. cit.

Prices in deficit markets tend to equal threshold or levy-paid import prices, plus interior marketing charges. Prices in surplus markets tend to be lower than prices in deficit markets, with intervention prices forming a floor.

National average prices should be lower than prices in typical deficit markets, higher than prices in typical surplus markets, and also higher than threshold or levy-paid import prices.

The IRVAM and Agrarpreise series in table 29 conformed to some of these expectations. As shown in table 30, prices in these two series exceeded corresponding threshold prices with only one exception. Besides these two national average prices, the IRVAM series of port prices for imported U.S. Yellow and Argentine Plata corn, loaded on departing truck or railcar, and the Milan delivered price for domestic ordinary corn (nazionale comune) are shown. All these prices exceeded threshold prices (except in one month) and thus reflected port handling costs.

The period for which these prices are tabulated, July 1966 through July 1968, was the period of their significant increase. The raising of the threshold price during the last year of the transitional CAP on grains, 1966/67, and the first year of the unified CAP, 1967/68, is clearly reflected in each of the five series following the threshold price column in table 29. The amount by which each of these series exceeded the threshold price also increased substantially from 1966/67 to 1967/68 (table 30). Thus, the year-to-year increase in the market prices was even greater than that in the threshold price.

The principal reason for this greater increase in market prices is highly significant: In 1966/67 the threshold prices and c.i.f. prices from which variable import levies were derived were specific for Italy. In 1967/68, however, under the unified CAP for grains, variable import levies were derived for the entire EC from threshold prices and c.i.f. prices, both applicable to Rotterdam. The cost of ocean freight to Italy is typically higher than to Rotterdam. Thus, Italian c.i.f. prices and levy-paid import prices are higher than corresponding Rotterdam prices. Moreover, unloading and related facilities in Italian ports compare unfavorably with those in the modern port of Rotterdam.

Indeed, unloading and other charges at Italian ports are high because of inadequate facilities. 103/ Adding these Italian port costs to already higher levy-paid prices results in the price of imported grain being higher after unloading in Italian ports than the EC target price that -- in theory -- is the maximum price applying to the center of the EC deficit area, Duisburg, Germany (fig. 5).

During 1967/68, the first marketing year under the unified CAP on grains, the price of U.S. Yellow Corn, No. 2, c.i.f. Genoa plus the variable import levy was only \$7.08 a metric ton less than the Community-wide threshold price.

103/ Federazione Italiana dei Consorzi Agrari Consuntivi e Programmi alla Assemblea Generale Ordinaria dei Soci, 1965, p. 24, Apr. 27, 1966.

Table 29.--Threshold prices and various market prices for corn, Italy,
July 1966-July 1968

Year and month	Threshold	IRVAM port prices		IRVAM average	Agrarpreise	Milan price 4/	
	price 1/	Yellow	Plata	hybrid price 2/	average price 3/		
-- Dol./m.t. --							
1966:							
July	68.00	5/ 70.69	72.29	73.20	74.72	72.00	
August	68.00	5/ 71.20	72.16	74.72	75.09	72.00	
September	68.00	5/ 72.08	72.29	73.30	74.62	71.20	
October	71.20	71.06	71.28	70.42	73.33	70.59	
November	71.20	71.81	72.35	71.20	74.96	72.00	
December	71.20	74.50	75.71	75.12	77.41	76.40	
1967:							
January	71.84	75.22	77.66	75.60	78.18	77.39	
February	72.48	75.65	79.52	75.57	79.20	78.19	
March	73.12	75.17	78.50	75.10	76.88	78.00	
April	73.76	74.62	76.75	75.92	77.18	77.60	
May	74.40	78.03	77.97	77.87	77.66	77.20	
June	74.40	80.99	81.31	80.03	80.88	---	
July 1966-June 1967 average:	71.47	74.25	75.65	74.84	6/ 77.70	74.78	
					7/ 76.67		
1967:							
July	77.74	81.47	81.97	82.00	83.14	---	
August	77.74	82.54	83.25	83.76	83.02	---	
September	77.74	84.00	88.88	81.38	83.60	---	
October	78.50	86.69	94.29	84.42	85.98	86.99	
November	79.25	87.10	97.28	86.43	87.42	88.80	
December	80.00	88.13	99.07	87.57	88.50	89.60	
1968:							
January	80.75	87.66	102.37	88.32	88.22	8/ 90.40	
February	81.50	86.77	100.43	87.66	87.79	8/ 89.39	
March	82.26	87.20	99.42	88.03	88.05	8/ 88.80	
April	83.01	87.42	92.88	88.74	88.43	8/ 88.59	
May	83.74	88.91	91.47	89.62	89.28	8/ 88.00	
June	83.74	87.86	94.21	90.74	90.19	8/ 88.00	
July	83.74	88.48	92.69	91.06	91.15	8/ 88.00	
July 1967-July 1968 average:	80.75	86.48	93.71	86.90	87.30	88.66	

1/ Threshold prices for July 1966-June 1967 from CEE Informations. Marchés Agricoles, No. 13. July 1967-July 1968 prices from IRVAM. Cereali Foraggeri, Oct. 1968, pp. 29, 30, adjusted by deduction of the levy discount of \$10.63 a ton.

2/ IRVAM. Cereali Foraggeri, Oct. 1968, p. 29; IRVAM. Nota mensile, July-Sept. 1967.

3/ SOEC. Agrarpreise No. 3, 1968, p. 17; and No. 3, 1969, p. 17.

4/ Il Mercato dei Cereali. No. 9, 1967 and No. 10, 1968.

5/ No. 2 Yellow corn.

6/ Published average.

7/ Calculated average.

8/ SOEC. Agrarpreise No. 3, 1969, p. 25.

Table 30.--Excess over threshold prices of various market prices for corn,
Italy, July 1966-July 1968

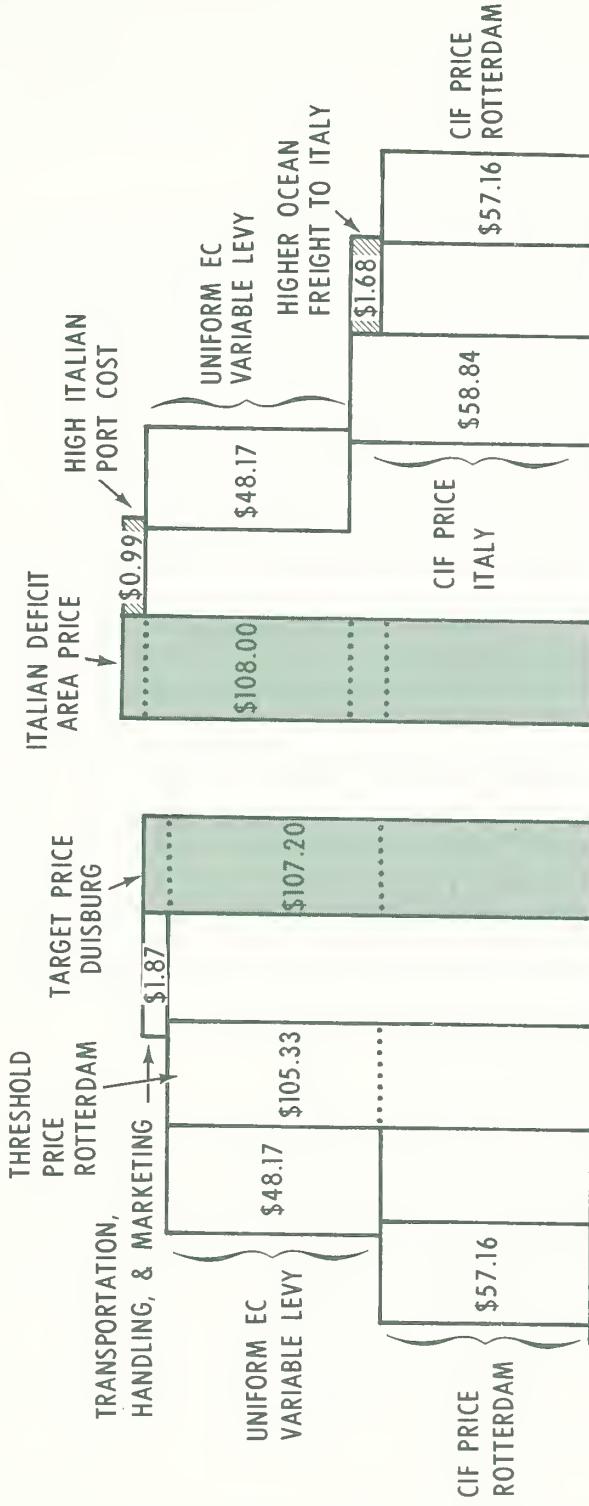
Year and month	IRVAM port prices		IRVAM average hybrid price	Agrarpreise average price	Milan price			
	Yellow	Plata						
	;	;						
-- Dol./m.t. --								
1966:								
July	2.69	4.29	5.20	6.72	4.00			
August	3.20	4.16	6.72	7.09	4.00			
September	4.08	4.29	5.30	6.62	3.20			
October	-0.14	0.08	-0.78	2.14	-0.61			
November	0.61	1.15	0.00	3.76	0.80			
December	3.30	4.51	3.92	6.21	5.20			
1967:								
January	3.38	5.82	3.76	6.34	5.55			
February	3.17	7.04	3.09	6.72	5.71			
March	2.05	5.38	1.98	3.76	4.88			
April	0.86	2.99	2.16	3.42	3.84			
May	3.63	3.57	3.47	3.26	2.80			
June	6.59	6.91	5.63	6.48	---			
July 1966-June 1967 average :	2.78	4.18	3.37	<u>1</u> /6.23	3.31			
				<u>2</u> /5.20				
1967:								
July	3.73	4.23	4.26	5.30	---			
August	4.80	5.51	6.02	5.28	---			
September	6.26	11.14	4.64	5.86	---			
October	8.19	15.79	5.92	7.49	8.49			
November	7.85	18.03	7.18	8.18	9.55			
December	8.13	19.07	7.57	8.50	9.60			
1968:								
January	6.91	21.62	7.57	7.47	9.65			
February	5.27	18.93	6.16	6.29	7.89			
March	4.94	17.16	5.77	5.79	6.54			
April	4.41	9.87	5.73	5.42	5.58			
May	5.17	7.73	5.88	5.54	4.26			
June	4.12	10.47	7.00	6.45	4.26			
July	4.74	8.95	7.32	7.41	4.26			
July 1967-July 1968 average :	5.73	12.96	6.15	6.55	7.91			

1/ Excess of published average.

2/ Excess of calculated average.

Source: Computed from data in table 29.

GRAIN PRICES IN ITALIAN DEFICIT AREAS TEND TO EXCEED THE EC TARGET PRICE



BECAUSE OF HIGHER OCEAN FREIGHT COSTS AND HIGH PORT COSTS (████), THE PRICE OF IMPORTED NONDURUM WHEAT IN ITALY IS HIGHER THAN THE DUISBURG TARGET PRICE. THEORETICALLY THE MAXIMUM DATA ARE ILLUSTRATIVE; THEY PERTAIN TO A TON OF NONDURUM WHEAT, AUG. - OCT. 1968. BASIC DATA FROM V.O. 864, ABI. 279, NOV. 18, 1967, P. 2; V.O. 444, ABI. 91, APRIL 12, 1968, P. 2; C.E.E. INFORMATIONS, MARCHES AGRICOLES, PRIX, 12, JULY 8, 1969, P. 40. THE HIGHER OCEAN FREIGHT TO ITALY IS THE ITALY-NETHERLANDS DIFFERENTIAL FOR C.I.F. PRICES, MARCH 1-15, 1967, SHOWN IN ENTSCHEIDUNG 67/220, ABI. 70, APRIL 13, 1967, P. 1282. THE ITALIAN DEFICIT AREA PRICE IS THE BARI PRICE, AUG. - OCT. 1968 FROM ISTAT, BOLLETTINO MENSILE, NOV. AND DEC. 1968.

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Figure 5

If it had not been for the temporary discount of \$10.63 in the levy on corn imports into Italy, the c.i.f. Genoa price plus levy would have exceeded the threshold price by \$3.55. In the long run, the method by which the levy is calculated from the Rotterdam c.i.f. price will tend to enhance the levy-paid import price in Italy considerably above the price level that the EC itself has considered desirable.

To some extent, however, the increase in the excess of market prices over threshold prices in 1967/68 compared with 1966/67 may also have been caused by the scarcity and high prices of Plata corn in the late fall of 1967 and the winter of 1968. The abundant supplies from the bumper crop harvested in Argentina in the spring of 1967 had been sold, and the outlook was for the greatly reduced supplies from the spring 1968 harvest. This specific situation seems to have buoyed the prices for all other kinds of corn.

Of the two port price series, Plata corn prices were higher (with one exception), reflecting the strong demand for this hard and dark-colored type of corn. The excess of the port price for Yellow corn over the threshold price, by contrast, is not affected by quality differentials but only by higher c.i.f. and port costs.

This principle may be further illustrated with the nondurum wheat price in Bari. Located on the Adriatic coast, near the heel of the Italian boot, Bari lies in a deficit region for nondurum wheat. During August-October 1968/69, the first 3 months of the marketing year, the nondurum wheat price in Bari averaged \$108.00 a ton, 104/ compared with average target and threshold prices of \$107.20 and \$105.33. The levy discount for Italy does not apply to wheat.

The Bari price was higher than the target price; this illustrates that the target price is, in fact, not the highest price that may prevail in EC markets. In theory, the target price applicable to the center of the principal deficit area is thought of as the highest price. Actually, however, the principal deficit area of the EC is close to the principal port. Areas less favorably located may have prices above the target price.

With respect to prices in the interior, the hypothesis is that grains imported into Italy typically require more expensive rail or truck transportation from ports into the interior of that country, whereas grains imported through Rotterdam can be transported inexpensively by water to or near their final destination in Holland or Germany. Specifically, low river-freight rates are the principal determinants of the difference between the EC-wide target price, applicable to Duisburg, and the threshold price, calculated for Rotterdam.

The excess of the Milan market price for domestic corn over the port price of U.S. Yellow corn averaged \$0.53 in 1966/67 and \$2.18 in 1967/68 (table 29). The higher 1967/68 differential may in part have been caused by scarcities, as suggested earlier.

The Milan market price for domestic corn also increased more from 1966/67 to 1967/68 than did the threshold price; the difference between the two series more than doubled from \$3.31 to \$7.91 (table 30).

104/ ISTAT. Bollettino Mensile, Nov. and Dec. 1968.

During October-December 1968, the market price of domestic corn in Bologna, about 50 miles inland from Ravenna (a major port of importation), averaged \$90.16 a ton; this was \$5.97 more than the average threshold price (\$94.19) reduced by the \$10 levy discount. 105/ That excess was about midway between the corresponding Milan data for 1966/67 and 1967/68, and about the same as the 1967/68 excess over the threshold price of the port price for U.S. Yellow corn.

The basic target price, applicable to Duisburg, is \$2.25 above the threshold price calculated for Rotterdam. Thus, the basic target price for corn averaged \$96.44 a ton during October-December 1968. Without the levy discount, the tendency would have been for the Bologna price to be \$10 a ton higher than it actually was, or \$100.16. This would have been \$3.72, or 3.9 percent above the target price.

The interior price (in Milan) was only nominally above the port price in 1966/67, which disproves the hypothesis of expensive inland transportation cost for that year. Since then, however, the difference between inland (Milan and Bologna) prices and port and threshold prices has increased substantially.

The IRVAM and Agrarpreise series and their excess over threshold prices were quite similar in 1967/68. In 1966/67, however, IRVAM prices averaged \$1.83 a ton (2.4 percent) lower than the Agrarpreise series and, on the average, exceeded threshold prices by only \$3.37, compared with an excess of \$5.20 for the Agrarpreise series. In the latter series, the excess over threshold prices increased only slightly from 1966/67 to 1967/68 while the excess almost doubled in the IRVAM series. 106/

105/ CEE, Informations. Marchés Agricoles, Prix, No. 2, 1969.

106/ In most months of 1966/67, these IRVAM Milan prices were lower than those in the Agrarpreise series of average producer prices for eight markets. The Agrarpreise series reportedly are typically farmgate prices. This kind of negative marketing margin between wholesale prices in a central market and producer prices was noted earlier in this report for nondurum wheat and is one of the most questionable features of the grain prices that ISTAT reports to the Statistical Office of the EC for publication in Agrarpreise. The negative marketing margin was much less frequent between Milan and IRVAM monthly prices, and the two series averaged about the same for the year 1966/67. In 1967/68, Milan monthly prices were mostly higher than both Agrarpreise and IRVAM prices and averaged higher than both for the year.

The preceding illustrations are intended to show the influence of the threshold price on price formation in the interior and on domestic products when a country or a region is a net importer. As early as 1966, INEA observed: "Imported goods therefore have greatly influenced the internal market where they have created a substantial supply, which has brought about lower price levels than those of the year earlier even though they are always a few points above the target prices." 107/ This quotation is presented because it refers to an actual price level above the target price. The reference to the price-lowering effect of imports deals with another dimension of price formation and may be disregarded in the context of this discussion. What counts is the price-determining influence in deficit regions of the EC of the levy-paid price for imported grains.

To summarize, prices for corn in various markets increased during 1966/67 -- 1967/68, not only as much as threshold prices increased, but even more. The additional increases most significantly reflect the higher c.i.f. price level in Italian ports compared to that in Rotterdam. Moreover, Italian grain prices that are above comparable target price levels indicate an Italian grain price level even above that considered desirable by the European Community.

107/ Istituto Nazionale di Economia Agraria. *Annuario dell' Agricoltura Italiana.* Vol. XX: 1966, p. 229.

Regional Price Differences

The two regional patterns of derived intervention prices for nondurum wheat shown in figures 3 and 4 were developed by EC authorities. They reflect administrative prices in contrast to market prices. The guiding principle in the differentiation of derived intervention prices is that the possibility of placing wheat under support (selling it to the intervention agency), must not interfere with the free market movement from surplus areas to deficit areas. At the same time, these patterns are also based on an existing marketing system. The following discussion deals with regional price differentials in the marketing system as it existed at various times.

Prices for July 1962, the month at the end of which the transitional CAP for grains took effect, are shown in figure 6. As in figures 3 and 4, Bari on the Adriatic in the south (halfway between the spur and the heel of the Italian boot) had a high price. Markets in the surplus-producing north, on the other hand, had prices ranging from the lowest to the highest within the center of the highly industrialized Milan-Turin-Genoa triangle. The price was lowest at Cuneo near the French border and highest in Alessandria northeast of Cuneo. Other high prices are shown for markets in central Italy; that is, generally in the Rome area. The pattern of high prices in the deficit south and low prices in the north is not as clear as on the intervention price surface (figures 3 and 4). Siena south of Florence has the median price of the 33 prices shown (\$102.70 a ton); south of Siena only three prices are lower than this price. Some higher prices are found between Siena and the Po River; but near the Po River and north of it, prices tend to be low.

During the period of the transitional CAP for grains (July 30, 1962, to June 30, 1967), Bari emerged as the market with the highest price (figure 7). Foggia, an interior town only slightly northwest of Bari, shows up with prices consistently lower than Bari, with the spread widening from \$.80 a ton in July 1962 to \$5.01 in July 1967 and \$6.40 in July 1968 (figures 8 and 9). Moreover Avellino located east of Bari in the hinterland of Naples, consistently had a price still lower than that in Foggia.

With the start of the unified CAP for grains in July 1967, the pattern of high prices in the south and low prices in the north was confirmed.

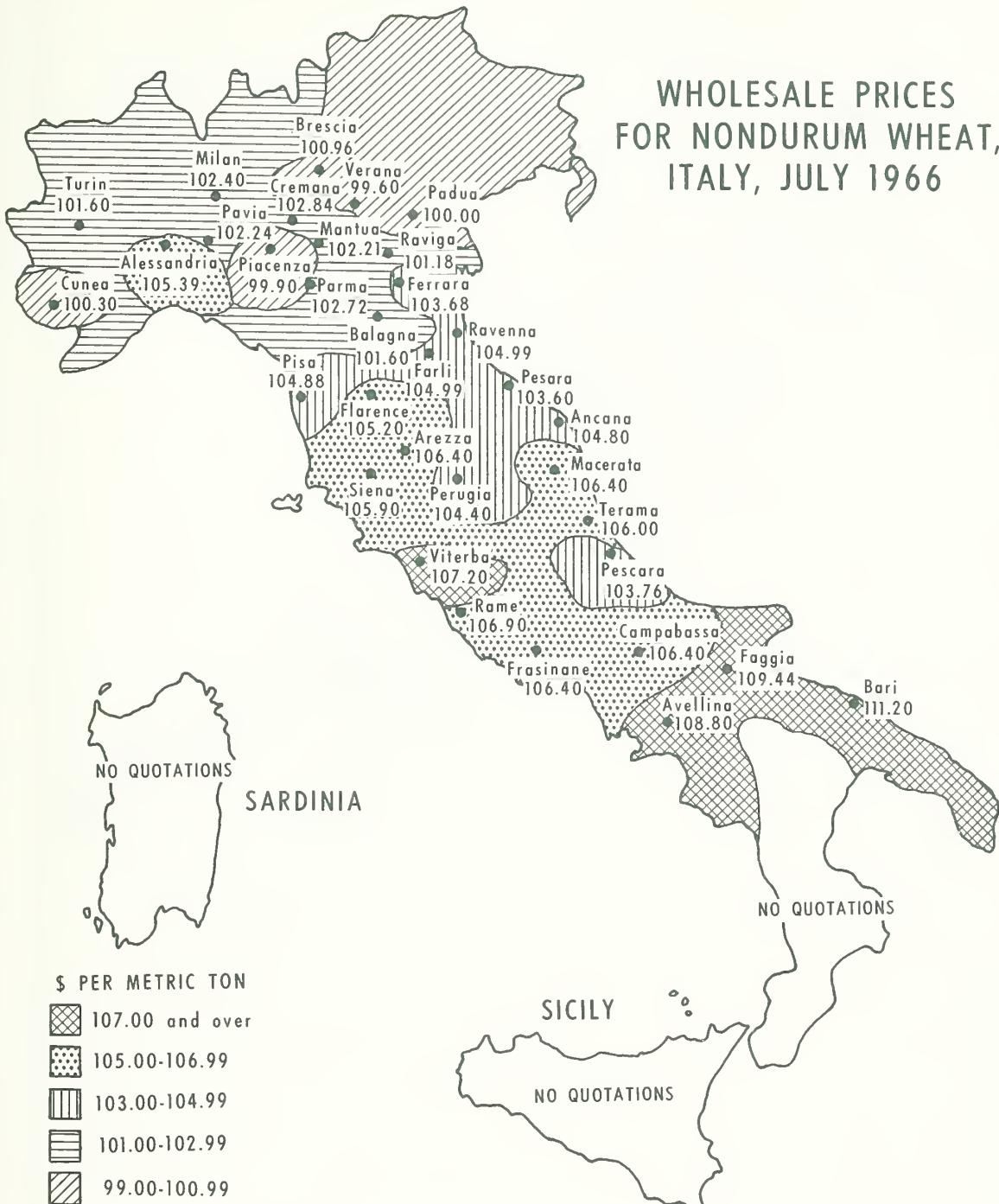
An earlier part of this report discussed to what extent the price surface may have been influenced by the pricing in different markets of different grades of wheat. While the Bollettino mensile, which served as a source for figures 6 through 9, has no grade specifications, the Annuario di Statistica Agraria shows the simple crop year price averages with specifications for grade, hectoliter weight (the bushel-weight concept), and maximum percentages of permissible impurities, or at least one or two of these three attributes, for 18 of 34 markets prior to the 1968 Volume I issue and for 24 markets in that issue. For Alessandria, in the center of the Turin-Genoa-Milan triangle, the grade "fino," better than the more frequently mentioned "buono mercantile," was used. This was obviously a factor in causing Alessandria prices to be consistently higher than those in the surrounding wheat-growing areas to the west, north and east.

WHOLESALE PRICES FOR NONDURUM WHEAT, ITALY, JULY 1962



SOURCE: ISTAT, BOLLETTINO MENSILE DI STATISTICA SEPT. 1962; TAV. 12-2.

WHOLESALE PRICES FOR NONDURUM WHEAT, ITALY, JULY 1966



SOURCE: ISTAT, BOLLETTINO MENSILE DI
STATISTICA OCT. 1966.

WHOLESALE PRICES FOR NONDURUM WHEAT, ITALY, JULY 1967



SOURCE: ISTAT, BOLLETTINO MENSILE DI STATISTICA, SEPT. 1967; TAV. 12-2.

Figure 8

WHOLESALE PRICES FOR NONDURUM WHEAT, ITALY, JULY 1968



SOURCE: ISTAT, BOLLETTINO MENSILE DI STATISTICA; OCT. 1968; TAV. 12-3.

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Figure 9

Cremona and Forli prices also related to the *fino* grade, but these prices nevertheless tended to be in line with those in neighboring markets.

On the other hand, the price of the low mercantile grade was used for Piacenza on the Po River, southeast of Milan, and caused that price consistently to be one of the lowest. For the Turin price, similarly, the grade was designated as "nazionale comune," which must be interpreted as a grade similar to mercantile and definitely lower than *buono* mercantile. Thus, it is not surprising that the Turin price was always less than the Alessandria price, which pertains to *fino*.

The Cuneo price specification was changed (corrected?) from 75-77 kg/hl in the 1965/67 volumes to 78-80 kg/hl in 1968 Tomo 1, without any revision in the magnitude of the crop year average prices. Cuneo prices were lower than nearby Turin prices on all four figures (6 through 9), and in July 1962, the Cuneo price was the lowest of all prices shown. Cuneo, however, had the same derived intervention price as Turin in 1967-68 and 1968-69.

For regional price differentiation in the north, the absence of any quotation for Udine is regrettable. That market located just west of the Yugoslav frontier, approximately halfway between the northernmost point on the Adriatic and the Austrian frontier, is considered Italy's leading surplus market and thus has the lowest intervention price. 108/ ISTAT, however publishes no price for Udine in the *Bollettino mensile* and *Annuario di Statistica Agraria* series, although it does report both producer and wholesale prices for Udine in its *Notiziario*.

Padua is nearest to Udine of all markets for which prices are reported in the regular ISTAT series (figure 6 through 9). Padua is also the market for which FAO reports wheat prices as representative for Italian producer prices. 109/ Of all 34 prices, the Padua price was the third lowest in July 1966 and the second lowest in July 1968; but in July 1962, Padua ranked seventh lowest and in July 1967, 11th lowest.

On a crop year average basis, the Padua price tended to be just below the median of the prices reported, except that a price of 7,329 lire was reported for 1965/66, second highest after Bari; this price seems to be an error since the simple average of prices during July 1965--June 1966 is 6,758 lire. This simple average compares with a corrected median of 6,968 lire for the 34 markets (table 31). The series of average prices for nine markets previously discussed (p.42) and the median observations of the 34 market series differed by substantially less than 1 percent in 6 of the 7 years and by 1 percent in 1966/67. The Padua price, similarly, differed by substantially less than 1 percent from the lower of these two national averages in 5 of the 7 years; but in 1964/65 and 1965/66 (after correction), the Padua price was 2 to 3 percent less.

108/ See, for example, C.E.E. *Informations. Marchés Agricoles, Prix*, No. 4, March 11, 1969.

109/ See, for example, FAO *Production Yearbook*, vol. 19, p. 336, 1965 and vol. 21, p. 520, 1967.

Table 31.--Three nationally representative series of nondurum wheat prices,
Italy, 1961/62-1966/67

Crop year	⋮	⋮	⋮	⋮
	⋮	Nine-market average series	⋮	Median of 34 market prices <u>1/</u>
⋮ ⋮ -- <u>Lit/100 kg</u> --				
1961/62	6,648	6,656	6,621	
1962/63	6,826	6,868	6,807	
1963/64	6,991	6,984	7,000	
1964/65	6,949	6,930	6,810	
1965/66	6,896	<u>2/</u> 6,983	<u>3/</u> 7,329	
1966/67	6,806	6,877	6,765	
1967/68	<u>4/</u> 6,663	<u>5/</u> 6,712	<u>5/</u> 6,612	
⋮				

1/ Computed as midpoint of two median observations of prices in 34 markets.

2/ Midpoint of medians of published data; after correction to agree with average of 12 monthly prices as published in Bollettino mensile, the midpoint is 6,968.

3/ Published figure is 7,329 lire, but average of 12 monthly prices as published in Bollettino mensile, is 6,758 lire.

4/ SOEC. Agrarpreise, Mar. 1969.

5/ Computed from ISTAT, Bollettino mensile.

Source: Annuario di Statistica Agraria, 1965 and Tomo 1, 1968, unless otherwise indicated.

An 8-year time series of crop year average prices in 34 markets is shown in table 32. Generally, these data show regional differentiation patterns similar to those shown for the beginning of the crop years 1962, 1966, 1967, and 1968 in figures 6 through 9.

As a further check on the effect of quality differentials, price differentials between the trade prices as reported in *Il Mercato dei Cereali* and ISTAT's *Bollettino mensile* were compared for the 19 markets reported by both and for the 5 calendar years, 1963-67 (table 33). In contrast to the *Bollettino mensile* series, the trade prices always pertained to the *buono mercantile* grade. As previously discussed, there are differences other than those pertaining to grade, which complicate the analysis. For Milan, both trade and *Bollettino mensile* quotations relate to the *buono mercantile* grade, and the difference between the two series seems to refer to location.

The two series tend to differ, year after year, by more than 100 lire (about 1.5 percent) in five more markets -- Alessandria, Bologna, Cremona, Piacenza, and Turin. For Alessandria, Piacenza, and Turin, grade differences have already been mentioned. For Bologna, the lower *Bollettino mensile* price pertains to wheat with a hectoliter weight of 75 kg. This reflects such low quality that the wheat can be considered below the *buono mercantile* grade. In Cremona, the two price series were virtually the same in 1963 and 1964. The trade price exceeded the *Bollettino mensile* price by 119 lire in 1965 and by 223 lire in 1966, illogical differences, since the lower *Bollettino mensile* price pertains reportedly to *FINO* and the higher trade price, to *buono mercantile*. In 1967 the trade price was sharply lower than the *Bollettino mensile* price. The lower trade price was traced to the fact that it is a mere July-August average, whereas the *Bollettino mensile* price is a July-April average. For no explainable reason, the trade price in Foggia was 145 lire below the *Bollettino mensile* price in 1963, and almost 100 lire below it in 1964-65 but the two series tended to converge thereafter. All other differences shown in table 33 are substantially less than 100 lire.

Grain-Livestock Product Price Relationships

Although this study is largely limited to grain prices, it seems appropriate to discuss briefly the relationships of grain and livestock product prices, since feed grains are nothing but raw materials for the production of livestock and livestock products (table 34).

Unfortunately, the period for which these relationships can be shown extends only from the year preceding the effective date of the transitional CAP -- 1961/62 -- and excludes the first year under the unified CAP for grains -- 1967/68. Thus, the 1967/68 drop to 6,663 lire per 100 kilos in the nondurum wheat price, the increase to 5,436 lire per 100 kilos in the corn price, and the rise of the corn-wheat price ratio to 0.82 are not shown in the table. During the period covered in the table, that ratio rose from 0.64 to 0.71. Since the corn-wheat price relationship did not change radically during the period, livestock and livestock product prices were related to the wheat price. If livestock and livestock product prices had been available for 1967/68, price ratios would have been expressed relative to corn prices.

Table 32.--Nondurum wheat prices in 34 markets, Italy,
1960/61-1967/68 1/

Market	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68
<u>Lit/100 kg</u>								
Turin	6,827	6,601	6,728	6,943	6,882	6,841	6,509	6,721
Cuneo	6,764	6,528	6,663	6,833	6,825	6,832	6,745	6,602
Alessandria	6,910	6,698	6,906	7,153	8,026	6,953	6,944	6,982
Milan	6,873	6,624	6,805	6,912	6,884	6,722	6,755	6,569
Brescia	6,786	6,582	6,782	6,914	6,809	6,664	6,707	6,623
Pavia	6,880	6,681	6,745	6,957	6,868	6,823	6,789	6,680
Cremona	6,905	6,663	6,867	7,013	6,777	6,792	6,724	6,655
Mantua	6,861	6,638	6,850	6,969	6,858	6,783	6,822	6,642
Verona	6,856	6,565	6,739	6,878	6,791	6,706	6,740	6,566
Padua	6,814	6,621	6,807	7,000	6,810	2/6,758	6,765	6,612
Rovigo	6,849	6,648	6,784	6,967	6,828	6,782	6,749	6,570
Piacenza	6,566	6,442	6,590	6,621	6,643	6,571	6,621	3/6,259
Parma	6,911	6,617	6,760	6,959	6,909	6,919	6,897	6,816
Bologna	6,784	6,617	6,729	6,913	6,837	6,896	6,745	6,619
Ferrara	6,926	6,754	6,869	7,099	7,041	6,985	6,925	6,832
Ravenna	6,953	6,833	6,982	7,133	7,083	7,033	7,017	6,840
Forli	6,809	6,640	6,877	7,049	7,112	7,114	6,946	6,818
Florence	7,079	6,935	7,046	7,269	7,178	7,100	6,995	6,791
Pisa	6,963	6,788	6,982	7,117	7,104	7,008	6,945	6,826
Arezzo	6,990	6,758	6,934	7,025	7,044	6,909	6,967	6,750
Siena	6,952	6,749	6,988	7,056	6,985	7,013	6,969	6,774
Perugia	6,739	6,475	6,705	6,844	6,856	6,905	6,857	6,796
Pesaro	6,771	6,494	6,804	6,917	6,900	6,833	6,811	6,634
Ancona	6,873	6,675	6,963	6,957	6,938	6,983	6,900	6,760
Macerata	6,930	6,722	6,945	7,048	6,921	7,031	7,012	6,702
Viterbo	6,942	6,713	7,050	7,058	6,988	7,085	6,329	6,689
Rome	6,899	6,683	7,032	7,075	7,073	7,065	7,013	6,690
Frosinone	7,067	6,804	7,090	7,033	7,000	7,165	6,994	6,823
Teramo	6,927	6,688	7,038	7,029	7,013	7,048	6,973	6,727
Pescara	6,783	6,624	6,810	6,969	6,885	6,983	6,740	6,328
Campobasso	6,921	6,629	6,863	6,879	6,938	7,138	6,967	6,845
Avellino	6,896	6,506	6,758	6,929	7,029	7,023	6,846	6,550
Foggia	6,750	6,685	7,068	7,068	7,215	7,246	6,981	6,736
Bari	6,875	6,900	7,333	7,333	7,454	7,433	7,225	7,042

1/ Prices for year beginning July.

2/ Computed as simple average of prices published monthly in Bollettino mensile. The Annuario shows a price of 7,329 lire, an obvious error.

3/ July-Nov. average.

Source: ISTAT. Annuario di Statistica Agraria, 1965 and Tomo 1, 1968. The 1967/68 data were computed as simple averages of prices published monthly in Bollettino mensile.

Table 33.--Nondurum wheat: Prices shown in Il Mercato dei Cereali and Bollettino mensile and their differences,
19 markets, Italy, 1963-67

Market	1967		1966		1965	
	Il Mercato dei Cereali	Bollettino mensile	Il Mercato dei Cereali	Bollettino mensile	Il Mercato dei Cereali	Bollettino mensile
	: Difference : between the : two prices		: Difference : between the : two prices		: Difference : between the : two prices	
-- Lit/100 kg --						
Turin	6,848	6,619	229	6,807	6,690	117
Alessandria	6,810	6,956	-146	6,699	6,910	-211
Milan	6,917	6,716	201	6,837	6,679	158
Brescia	6,691	6,691	0	6,600	6,600	0
Pavia	6,775	6,775	0	6,735	6,735	0
Cremona	2/ 6,257	2/ 6,703	-446	6,945	6,722	223
Mantua	6,773	6,773	0	6,734	6,734	0
Verona	6,744	6,744	0	6,647	6,632	15
Padua	6,768	6,770	-2	6,663	6,654	9
Piacenza	6,818	6,572	246	6,748	6,527	221
Parma	6,858	6,928	-70	6,789	6,798	-9
Bologna	6,860	6,731	129	6,856	6,758	98
Ferrara	6,917	6,925	-8	6,862	6,870	-8
Ravenna	6,955	6,973	-18	6,950	6,946	4
Ancona	6,840	6,798	42	6,952	6,921	31
Florence	6,941	6,944	-3	7,005	6,965	40
Rome	6,877	6,868	9	3/ 7,003	7,002	1
Foggia	6,780	6,788	-8	7,026	7,081	-55
Bari	7,107	7,113	-6	7,321	7,308	13

Note: see footnotes at end of table

Continued--

Table 33.-Nondurum wheat: Prices shown in I1 Mercato dei Cereali and Bollettino mensile and their differences,
19 markets, Italy, 1963-67-Continued

Market	1964		1963		-- Lit/100 kg --
	<u>I1</u> Mercato dei Cereali	<u>Bollettino</u> mensile	Difference between the two prices	<u>Bollettino</u> mensile	
Turin	7,053	6,849	204	7,021	6,897
Alessandria	6,839	7,040	-201	6,834	7,104
Milan	7,023	6,868	155	7,039	6,897
Brescia	6,885	6,881	4	6,813	6,825
Pavia	6,915	6,915	0	6,887	6,887
Cremona	6,945	6,951	-6	6,974	6,973
Mantua	6,932	6,933	-1	6,937	6,937
Verona	6,812	6,812	0	6,846	6,841
Padua	6,912	6,938	-26	6,915	6,915
Piacenza	6,886	6,577	309	6,896	6,631
Parma	6,881	6,906	-25	6,864	6,878
Bologna	7,067	6,946	121	7,000	6,816
Ferrara	7,111	7,114	-3	6,981	6,989
Ravenna	7,093	7,092	1	7,071	7,144
Ancona	6,979	6,948	31	6,997	7,025
Florence	7,223	7,216	7	7,161	7,177
Rome	7,048	7,054	-6	7,065	7,064
Foggia	7,102	7,191	-89	6,922	7,067
Bari	7,394	7,408	-14	7,344	7,350
					-6

1/ July-Aug. average.

2/ July-Apr. average.

3/ Erroneously reported in annual summary as 6,753 lire; correct average of 12 monthly quotations is 7,003 lire.

Source: I1 Mercato dei Cereali, 1968 No. 18; 1967 No. 16; 1966 No. 7; 1965 No. 21; 1964 No. 13; Bollettino mensile, Feb. 1969, Dec. 1967, Jan. 1965, Dec. 1964; and Associazione Granaria Milano, Annuario 1965, pp. 92-95.

Table 34.--Grain-livestock economy prices and price relationships, Italy,
1961/62-1966/67

Product	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67
-- Lit/100 kg --						
Prices:						
Wheat, nondurum	6,648	6,826	6,991	6,949	6,896	6,800
Wheat, durum	8,379	8,997	8,608	9,518	9,463	8,840
Corn	4,234	4,697	4,831	4,912	4,700	4,856
Cattle for slaughter:						
Calves:						
1st quality	54,622	56,190	62,543	67,851	66,355	68,170
2nd quality	47,698	49,302	54,078	60,499	58,783	59,854
Baby beef (Vitelloni):						
1st quality	37,854	41,005	46,590	53,016	50,690	49,926
2nd quality	33,847	35,941	41,133	45,758	43,175	43,150
Steers or oxen (Buoi):						
1st quality	32,270	33,716	38,938	44,900	43,052	43,290
2nd quality	26,684	27,674	33,454	39,585	37,931	37,663
Cows:						
1st quality	26,301	27,522	33,061	37,984	35,729	36,282
2nd quality	20,812	21,489	26,240	30,569	28,091	28,501
Hogs for slaughter	35,453	38,857	37,841	33,668	41,648	47,804
Chickens	69,282	74,148	76,037	77,504	75,542	75,453
Milk 1/						
Fluid use	4,983	5,733	6,783	6,754	6,920	6,892
Manufacturing	4,345	4,530	5,530	5,988	6,392	6,302
Eggs 2/	46,251	50,516	43,237	44,070	48,465	40,168
Price ratios relative to						
nondurum wheat:						
-- Ratios --						
Wheat, nondurum	1.0	1.0	1.0	1.0	1.0	1.0
Wheat, durum	1.3	1.3	1.2	1.4	1.4	1.3
Corn .....	.6	.7	.7	.7	.7	.7
Cattle for slaughter:						
Calves:						
1st quality	8.2	8.2	8.9	9.8	9.6	10.0
2nd quality	7.2	7.2	7.8	8.7	8.5	8.8
Baby beef (Vitelloni):						
1st quality	5.7	6.0	6.7	7.6	7.4	7.3
2nd quality	5.1	5.3	5.9	6.6	6.3	6.3
Steers or oxen (Buoi):						
1st quality	4.9	4.9	5.6	6.5	6.2	6.4
2nd quality	4.0	4.1	4.8	5.7	5.5	5.5
Cows:						
1st quality	4.0	4.0	4.7	5.5	5.2	5.3
2nd quality	3.1	3.1	3.8	4.4	4.1	4.2
Hogs for slaughter	5.3	5.7	5.4	4.8	6.0	7.0
Chickens	10.4	10.9	10.9	11.2	11.0	11.1
Milk 1/						
Fluid use .....	.8	.8	1.0	1.0	1.0	1.0
Manufacturing .....	.7	.7	.8	.9	.9	.9
Eggs 2/	7.0	7.4	6.2	6.3	7.0	5.9

1/ Original data per hl, converted to 100 kg; 1 hl=103 kg. 2/ Original data per 1,000 eggs, converted to 100 kg; 1,000 eggs=57 kg.

Source: Annuario di Statistica Agraria, Vol. XII, 1966 p. 19 and Vol. XV, 1968, Tomo 1, p. 21.

All prices except those of wheat and eggs increased substantially from 1961/62 to 1966/67. The egg price and the egg-wheat price relationship fluctuated considerably between 1961/62 and 1965/66 but these relationships broke outside that 5-year range in 1966/67. In that year, the egg price was 13.2 percent less than in 1961/62 and only 5.9 times the nondurum wheat price; the range during the 5 preceding years had been 6.2 to 7.4. Over the same period, egg production grew by one-third, from 390,000 tons in 1961/62 to 521,000 tons in 1966/67. 110/

The most drastic change was in milk prices, both for fluid use and for manufacturing. The fluid milk price rose 36 percent from 1961/62 to 1963/64, a rapid increase over 2 years to a level that changed little during the following 3 years. The manufacturing milk price rose 47 percent during a 4-year period. Thus, by 1965/66-1966/67, the manufacturing milk price had risen more since 1961/62 than had the fluid milk price. Still more significantly, the fluid milk price, which was only 75 percent of the nondurum wheat price in 1961/62, was approximately at the wheat price level during 1963/64-1966/67, while the manufacturing milk price rose from about two-thirds of the wheat price in 1961/62-1962/63 to 93 percent of that price in 1965/66-1966/67.

In contrast to these marked changes in price relationships, the chicken-wheat price ratio changed little, rising from 10.4 in 1961/62 to 11 (10.9 to 11.1 range) in subsequent years. The chicken price increased from 69,282 lit/100 kg in 1961/62 to a rather stable average of 76,134 lit during 1963/64-1966/67, a 10-percent increase. Chicken production during that period nearly doubled from 212,000 tons in 1961/62 to 394,000 tons in 1966/67. 111/

The price of hogs for slaughter dropped to its lowest level in 1964/65, when production amounted to 399,000 tons, and was significantly above the average of 326,000 tons for the other 5 years during the 1961/62-1966/67 period. 112/ After 1964/65, the hog price increased 42 percent in 2 years and the hog-wheat price ratio jumped from 5 in 1964/65 to 6 in the following year and to 7 in 1966/67.

Prices for the various types and grades of cattle and calves increased significantly over 1961/62 levels and the ratios of these various prices to the wheat price increased similarly. Calf-wheat price ratios were at their highest level in 1966/67. The ratios of the prices of the various types and grades of mature cattle to the wheat price were highest in 1964/65 and declined slightly thereafter. Beef and veal production was highest in 1961/62 -- 619,000 tons -- lowest in 1964/65 -- 436,000 tons -- and recovered thereafter to 558,000 tons in 1966/67 -- 90 percent of the previous maximum.

The ratios of the prices of the several classes of cattle (first quality of each class) to the manufacturing milk price from 1961/62 to 1966/67 dropped as follows:

110/ OECD. Food Consumption Statistics 1954/1966, Paris, 1968, p. 406.

111/ OECD, op. cit., p. 404.

112/ OECD, op. cit., p. 402.

Class of Cattle	:	1961-62	:	1966-67
Calves	:	12.6		10.8
Baby beef (Vitelloni)	:	8.7		7.9
Steers or oxen (Buoi)	:	7.4		6.9
Cows	:	6.1		5.8
	:			

These relationships for 1966-67 demonstrate that cattle prices, although not low relative to wheat prices, tended to be low relative to milk prices. Thus, the ratios portray the problem of a milk surplus and a cattle shortage in the European Community where cattle are mostly dual purpose, with emphasis on milk production. Italy itself has a very small milk deficit and a large beef and veal deficit.

In summary, cattle, hog, and milk prices increased substantially relative to grain prices during the period of the transitional CAP, as indicated by the ratios in the second half of table 34. Similar chicken and egg price ratios, by contrast, remained relatively stable or declined. Under these circumstances, cattle, hog, and milk production should have been encouraged; poultry and egg production, on the other hand, should have enjoyed no comparable stimulus. Actually, however, cattle, hog, and milk production remained relatively static, while poultry and egg production grew rapidly and significantly during the period because of managerial, organizational, and technological advances.

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Growth Rates

See Gross National Product.

Intervention Prices

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Appendix 1: Translation of the Technical Standards
of Wholesale Price Collection, Central Institute
of Statistics; Series B, No. 8,
Rome, June 1960

PART ONE -- CONCEPTS AND DEFINITIONS

Section I -- Scope and Purpose of Collection

Article 1 -- For the purpose of these standards, the wholesale prices of a good mean the prices used in transactions of that good among Italian traders and between Italian and foreign traders.

Article 2 -- "Transaction" means the economic legal act that creates the seller's obligation to transfer the free disposition of a good to the buyer at an agreed price.

Article 3 -- The statistical units for price collection are the transactions, as defined in the preceding articles, in domestic or international trade.

The traders or the individual firms are the primary statistical stages for price collection.

Section II -- Selection of Goods and Regional

Application of Price Collection

Article 4 -- The collection of wholesale prices, as defined above, generally concerns goods (raw materials, intermediary and final products, etc.) that make up the various aggregates of the national or local accounts.

A general list indicating such goods was prepared and brought up to date by the Central Institute of Statistics and reviewed by the Chambers of Commerce, Industry, and Agriculture as guidance for their price-collecting organs.

Article 5 -- In each province, the collection of prices must cover at least those goods that are of special importance because they are representative of all transactions taking place in the provincial area. This list must be supplemented by the goods the Central Institute of Statistics considers necessary for an appropriate price-reporting system.

Section III -- Description of the Prices

Article 6 -- The prices to be collected are those set by the sellers of the goods; that is, the prices that when multiplied by the quantity sold give an

amount of proceeds to be credited to the actual or hypothetical account of the seller's enterprise.

Therefore, the prices must be in accordance with the actual value of the goods in terms of the time and the place in which the transactions occur.

Generally, the price does not include extraneous items concerning terms of delivery or payment, packaging, credit charges, and similar items that do not pertain as much to the sale price as to the cost of the goods for the buyer.

Article 7 -- The prices for each good of a transaction must be described by kind, variety, quality, and other possible physical characteristics that are important in the calculation of the price.

The above-mentioned qualitative characteristics must be supplemented with the quantitative characteristic of the transactions to which the price refers when the quantity of the contracted goods influences the calculation of the price.

Article 8 -- Besides the elements in the preceding article, every price must be designated by the locality in which the sale took place and by the economic sector in which the transaction originated.

"Locality of sale" means the place of delivery of the goods that were the object of the transaction. Usually, place of delivery is the farm, the factory, or the warehouse of the producer or of the commercial retailer.

"Economic sector" means the specification of the branch of business of the seller, and, if applicable, of the buyer.

Section IV -- Economic Sectors

Article 9 -- For the technical and organizational purposes of the collection, it is necessary to distinguish, on the one hand, the collection of prices of the products sold by farmers and, on the other, that of the prices of products sold by nonagricultural traders.

Article 10 -- The collection of prices for products sold by farmers is usually done at "centers of transaction" meaning at institutions or places where traders usually meet for contracting.

For the purposes of the collection, the centers of transaction are:

- (a) commodity exchanges and halls of contracting
- (b) general markets
- (c) fairs and rural markets

In cases in which the centers of transaction do not exist or the transactions do not sufficiently represent the universe of the transactions made in the province, the price collection, according to the standards in section VI,

is made in the "areas of sale" formed by the appropriate subdivision of the province. These areas of sale possibly coincide with the agricultural regions established by the Central Institute of Statistics.

Article 11 -- The collection of prices of products sold by nonagricultural traders is made at the production or commercial units preferably selected according to the standards previously cited.

PART TWO -- COLLECTION AND PRICE PROCESSING SYSTEMS

Section V -- Collection of Prices in the Centers of Transaction

Article 12 -- In the commodity exchanges and in the halls of contracting, prices are collected for goods actually traded on the individual market days.

The collection is made by an appropriate official according to a pre-determined form outlined by the Central Institute of Statistics.

Each form must contain information about the price received, the economic sector to which the seller belongs, the place of delivery, and the terms of payment for the goods.

The name of the trader may not appear on the form for the price collection.

Traders who wish to include the name of the trader can compile their own price-collection form.

Article 13 -- The collection of the prices in the general markets of fruit and vegetable products, of meat, and of fish products is made in conformity to the Standards established in the model-Regulation of Law No. 125 as amended March 25, 1959.

Article 14 -- The prices prevailing in the fairs and the rural markets are collected by means of the appropriate form by collectors for that specific purpose.

The goods to report in such contracting centers are established by the Chamber of Commerce, Industry, and Agriculture.

In the fairs and the rural markets, the collection is made once a week or for a longer time period, according to the frequency of the fairs and markets; in the latter case the collection may be limited to the market day nearest the 15th of the month.

Section VI -- Price Collection in the Areas of Sale

Article 15 -- Price collection in the areas of sale cited in Article 10 is made as a supplement to, or in the absence of, the price collection that takes place in the transaction centers cited in the preceding articles.

The provincial Chamber of Commerce, Industry, and Agriculture is responsible for establishing the list of goods to be considered for the purpose of the collection for every area of sale in the province.

The price survey is made monthly by means of the appropriate form -- the month is calculated from the week that includes the 15th of the month or for a shorter time period in the case of especially important products.

Generally, the individuals who make the collection must be qualified persons who are suitably trained and are residents of communities (communes) within the area of sale. Usually, they are selected from the employees of the provincial chambers and the employees of other local bureaus and associated public administration offices.

Section VII -- Price Collection for Products

Sold by Nonagricultural Traders

Article 16 -- The price collection for products sold by nonagricultural traders concerns the sales made by manufacturers, merchants, and similar persons.

The exchange of such products may be made either in the transaction centers cited in the preceding articles or near the places of business of the non-agricultural producers and of wholesalers.

Article 17 -- The price collection in the transaction centers is made according to the method described in the preceding articles. Price collection at the production or commercial units with the appropriate form is made monthly -- the month is calculated from the week that includes the 15th of the month or for a different time period in the case of especially important products.

Also, the source of the collection of such prices may be confidential by agreement.

Article 18 -- In case of businesses with locations either within or outside the province, the prices must refer to goods sold near the local units of the province.

Section VIII -- Data Processing System

Article 19 -- Prices collected during the course of the month and subject to critical revisions as explained in the following article are processed for the calculation of monthly averages or averages of different time periods (weekly, every ten days and so forth) as established by the Central Institute of Statistics.

The type of average used usually must be the simple arithmetic mean of the prices considered.

Article 20 -- Critical review of the prices is made, first, by verifying whether the prices collected for a given good pertain to transactions that are uniform as to the qualitative specification of the good and the sector of sale of that good, as well as by different ways that could alter the comparability of the prices in terms of delivery, packaging, and so forth.

After removal of the causes of noncomparability cited in the preceding paragraph, there is then a second phase of critical review, which concerns the plausibility of prices and, more particularly of those prices that are found at the extremes of the range of variation. To get the necessary uniformity in the valuation criteria, the examination of plausibility is made following suitable instructions established for that purpose by the Central Institute of Statistics.

PART THREE -- ORGANIZATION AND PUBLICATIONS

Section IX -- Organization for Price Collection

Article 21 -- In each province, the collection of prices is the responsibility of the Chamber of Commerce, Industry, and Agriculture.

Article 22 -- The Secretary-General of the Chamber of Commerce, Industry, and Agriculture is responsible for executing the collection, the processing, and the critical revision of the data. He also is responsible for the selection of qualified persons, from the categories previously cited, to serve as price collectors.

Section X -- Second-Stage Control of Prices

Article 23 -- The average prices obtained by the processing system cited in Section VIII, together with the basic data, are subject to examination by the appropriate "Price Commission of the Chamber" created by each Chamber of Commerce, Industry, and Agriculture.

Article 24 -- The Commission submits data to a critical revision based on the actual level of prices and the market trends.

According to the examination results, the Commission may:

- (a) approve the collected data
- (b) ask that the data be coordinated with information obtained by organs of the Commission
- (c) ask that other checks be made prior to another examination by the same Commission

A summary of the minutes of the Commission's meeting is to be sent to the Central Institute of Statistics.

Article 25 -- The Commissions of the Chambers cited in Article 23 are named by the Chamber Council. The Secretary-General of the Chamber of Commerce, Industry, and Agriculture or one of his delegates is the chairman of the

Commission. The Commission is composed of (1) at least four traders, chosen representatively, with consideration given to the commodity field to which the price collection refers; (2) the Director of the provincial office of Industry and Commerce; (3) the head of the provincial Office of Statistics; and (4) representatives of other specifically concerned public agencies.

The duties of secretary of the Commission are entrusted to an employee of the Chamber of Commerce, Industry, and Agriculture who works with prices.

Article 26 -- At the Central Institute of Statistics, a "National Commission on Wholesale Prices" is to be created to examine questions concerning the application of the present standards and any other questions concerning prices.

Article 27 -- The National Commission, referred to in the preceding article, is to be composed of the Director General of the Central Institute of Statistics, who presides; the Inspector General, responsible for wholesale-price statistics, who serves as vice president; the officials of the Central Institute of Statistics who are responsible for the agricultural, industrial, and commercial statistics and the national accounts; a representative of each of the two divisions of internal commerce and of industrial production in the Ministry of Industry and Commerce; a representative of the Ministry of Agriculture and Forestry; and at least three representatives of the Chambers of Commerce, Industry, and Agriculture. Representatives of farmers', industrialists', and merchants' organizations also serve on the Commission.

The duties of the secretary of the Commission are performed by the employee of the Central Institute of Statistics in charge of the Office of Wholesale Prices.

Section XI -- Publication and Communication of the Prices

Article 28 -- The prices collected and processed in conformity with the present standards are published by the Chamber of Commerce, Industry, and Agriculture in the appropriate publication entitled, "List of Wholesale Prices" (Listino dei prezzi all'ingrosso). The time period of the list is shown (weekly, semi-monthly, monthly, and so forth).

The list of wholesale prices may form one or more publications, designated by subtitles; in addition, it may be published as a part of another possible future publication of the Chamber.

The lists of wholesale prices may report, in the appropriate column, both base prices and also the prices of some goods officially set by the Interministerial Price Committee and the provincial Price Committees.

Article 29 -- The prices collected in conformity with the present regulation, even if not published, form the basis for certification requested from the Chambers of Commerce, Industry, and Agriculture and for every other public interest.

Article 30 -- For the convenience of the traders, prices used to determine the range of variation cited in Article 20 may also be published in the wholesale price list in addition to the average prices calculated from the periodic price collections; for convenience, these prices may be specified as minimum or maximum prices.

Article 31 -- The order of items in the wholesale-price list is established by the Central Institute of Statistics to have the necessary uniformity in the presentation of data and in the specification of prices by sectors and by commodity selection.

Section XII -- Final Provisions

Article 32 -- The above standards are compulsory for all chambers of Commerce, Industry, and Agriculture.

Article 33 -- The traders, regardless of how they are concerned with the price collection, are pledged to keep all information confidential according to the existing legislative provisions on the regulation of the Central Institute of Statistics.

The prices quoted by the individual traders or otherwise involving the individual trader may not be quoted, for any reason, to other offices or bureaus, public or private.

Article 34 -- Instructions for the application of these standards are issued by the Central Institute of Statistics, with the advice of the National Commission on Wholesale Prices in Article 26.



Appendix 2: Partial Translation of

Price Index Numbers, Base 1966=100

WHOLESALE PRICE INDEXES. CENTRAL INSTITUTE OF STATISTICS

SERIES A, NO. 6, AUGUST 1967 (pp. 10-13)

5. Price Classification.

Though the term "wholesale price" is generally understood, it is difficult to define this term precisely because of the extent and the variety of phenomena to which it refers.

For the purpose of calculating indexes, "wholesale price" means all prices received by the seller in commercial transactions between firms. From this definition of the wholesale price, it follows that the seller and the buyer in a particular business sector must be considered at the same time. Defining which prices are to be considered wholesale prices involves considering the various phases of exchange represented by the prices and determining the particular stage of marketing that these prices represent.

For example, the exchange of a particular product may be from producer or importer to producer, from producer or importer to commercial wholesaler, from producer or importer to retailer, from commercial wholesaler to commercial wholesaler, and from commercial wholesaler to retailer. The producer, the importer, the commercial wholesaler and the retailer represent, respectively, the producer enterprise, the import enterprise, and the commercial enterprise.

The price reported by the seller corresponds to the stage of trade: it is a "producer's price" if the seller is the producer; and "import price" if the seller is the importer; a "wholesale price" (in the strict sense) if the seller is the commercial wholesaler.

In processing the indexes, including the process of weighting, it is preferable, whenever possible, to use the prices of goods at the first stage of exchange, and, more precisely, "production prices" for domestic goods and "import prices" for foreign goods.

6. Price Collection.

Wholesale-price reporting is a constant concern of the Institute and the object of continual methodological perfection. The method of price collection now in practice for the most part includes reporting market prices and reporting producer prices.

The first method (reporting market prices) is traditionally followed for reporting crop, livestock, and forestry product prices; traditionally the reporting is done in the various provinces by the Chambers of Commerce, Industry, Crafts, and Agriculture.

The methods of price collection used by these agencies vary in function, according to the goods and the organization of the local markets; the type of organization may vary from a commodity exchange to a hall of contracting and so forth.

In any case, these data may be considered reliable for showing the price trend because of the strict monthly screening done by the collecting agencies or ultimately by the Institute. The Chambers' price collections, as noted, also cover raw and intermediate nonagricultural products or bulk goods in general.

Collecting prices on finished industrial products has always been of particular concern; the Institute issues direct price reports for a certain number of businesses that are selected according to the needs of the price collection itself.

For raw or intermediate industrial products, and especially for finished industrial products, there is little difficulty in establishing the locality of the transaction, hence, the locality of the price, because the market for these particular products does not show much variation with respect to trend in the most important Italian markets.

For many crop and livestock products, however, establishing the locality is a real problem. Consequently, it is necessary to study thoroughly the most important markets that can be considered representative of the trend of prices for the product in question. For each product, a market sample must be chosen; this actually means selecting provinces in which prices will be collected by the above-mentioned Chamber organization.

The design of such a market sample is, of course, not accomplished with the technique of random sampling but by means of a logical selection carried out with the help of the data available at the Institute. Such data concern the quantities produced or exchanged in the various provinces. The sample design is also based on information furnished by important firms that specialize in the trade of the goods or the products in question.

This research has been particularly compelling, as indicated, because most agricultural and livestock product prices are collected not only for calculating the index, but also for calculating average prices in the principal markets. Sufficiently long historical series of average prices now exist, and these prices seem to be preferred to the corresponding index number by scholars and technicians.

If the commodity base of the wholesale price indexes can be considered satisfactory and thus better than that of the indexes previously calculated, and with the number of prices quoted substantially enlarged, the effects (of these improvements) generally should be in the direction of greater reliability of the results.

The extent of the increase in the number of commodities selected and in the number of prices quoted in the new index compared with the old index, is

shown in the table below.

Naturally, there are many obstacles to be overcome in the course of time to achieve a continuity in the price series sufficient to offset the changes in the quality or in the variety of the commodity itself or to offset the necessity of introducing or eliminating a commodity from the index as the market changes.

Problems are encountered that not only pertain to the processing of the new index but that always have existed and require solutions that do not lend themselves to generalization.

Commodities and quotations considered in the old index (Base 1953=100)
and in the new index (Base 1966=100) of wholesale prices

Sectors and classes	Commodities		Quotations	
	Old	New	Old	New
	index	index	index	index
I. Agricultural products	60	78	536	765
1. Edible crop products	39	50	300	443
2. Edible livestock products	12	18	179	238
3. Inedible crop and livestock products	7	7	33	35
4. Forestry products	2	3	24	49
II. Nonagricultural products	152	184	1,219	1,475
5. Edible industrial products	23	29	290	351
6. Nonedible agri-industrial products	25	31	386	389
7. Mechanical metal products	46	48	291	380
8. Combustibles and lubricants	9	10	33	42
9. Construction materials	7	8	69	123
0. Chemical and related products ..	42	58	150	190
Total	212	262	1,755	2,240

Appendix 3: Translation of IRVAM Price

Reporting Instructions

NOTICE NO. 1

THE SYSTEM OF EXPLANATORY PRICE COLLECTION

IRVAM is organizing its price collection system in the most important markets for crop and livestock products and for products derived from them.

The purpose of this system is to furnish an explanation of the various phenomena that influence price movements, together with market data (prices, supply-demand trends, and estimates of quantities bought and sold).

To explain, one must try to characterize the things which influence market trends in order to make short-term estimates based on a real understanding of the forces that influence their course.

1. The price-collection form.-- The Institute (IRVAM) has prepared a series of forms (which vary according to the type of market and the product) compiled in such a way as to give the price collectors a "scheme" adaptable to the numerous and changing realities of a single place and of the various products.

In turn, the price collectors must try, as much as possible, to describe the realities of the market from their observations in data and in estimated information on the form, to furnish the Institute (IRVAM) with their analysis of the facts.

2. Periodicity of price collections. -- As a rule, the price should be collected each week on the market day (in the case of markets held weekly), or on the day most indicative of the market trend (in case of more frequent markets including daily markets). In addition, contracts made during the week must be reported on the form even if they took place outside the traditional marketplace, as long as they took place within the zone of the particular market's competence or influence.

In case particular situations require prices to be collected more frequently or less frequently, IRVAM will adopt measures suited to fill these needs, case by case.

3. Stages of trading and prices. -- Generally, the price collection is made in the first stage of trading -- that is, the original market -- to be able to characterize the prices as minimum, maximum, and prevalent prices actually received by the producer.

For certain products, it is necessary to report prices for the stages following the original marketing.

The stage of trading to which the collection of prices refers is indicated at the bottom of the form in each case.

For the minimum as well as maximum prices, the extreme points are excluded; they are those prices which are too high or too low with respect to the general trend of the market because of their exceptional peculiarities of type, quality, conditions of payment or delivery, and so forth. The prevalent prices are those prices associated with the larger volume of goods of the same type and quality.

4. Instructions for collecting prices and filling out the form. -- Collecting producer prices is not always easy, especially in cases in which the market does not exist physically as a point where sellers and buyers traditionally and repeatedly meet; in such cases it is necessary to obtain the prices directly from the producers and to compare a sufficiently large number of data so collected with other information obtained from the buyers.

The difference in the rules of trade and the presence of more traders (farmers, merchants, industrialists, brokers, harvesters, agents, and so forth) complicate the specification of prices; consequently, it is absolutely necessary that price collectors really understand the diverse distribution channels through which the various products pass.

Each type of form is accompanied with instructions for filling it out; on the form, one must specify in great detail the information and the data that must be included in each column of the form. One must remember, however, that the suggestions contained in the instructions are of an exemplary character and, consequently, on their own initiative, price collectors are to include other data and information not asked for in the instructions, which they consider useful in better explaining the market situation and market trends.

5. Notes on comments. -- On the back of the form, ample space is left for writing critical comments about the trend of the market under examination.

Attention should be given to the special importance of this statement, which should reflect the fundamentals (pertaining to the production, the sale, the importation, the processing industry, the supply, credit, the propensity to consume, and so forth), which determine the market trends which are evident. This is the most important information on the form because it can give a dynamic vision of the trend of a market and thus allow short-term estimates to be made.

Also, for this part of the form, the places below the heading "Indicative Elements" are to suggest and emphasize that the price collector may, if he wishes, attach additional information which would explain what occurred in the market during the week.

Appendix 4: Inventory of Price Series Analyzed 1/

<u>No.</u>	<u>Type of price</u>	<u>Where published</u>	<u>Remarks</u>
1	Producer and wholesale prices in individual markets	ISTAT, Bollettino mensile	Monthly and calendar year simple average quotations for 34 markets for nondurum wheat
	do.	ISTAT, Annuario di Statistica Agraria Part 4	Crop year simple average quotations through vol. XV, 1968, tomo 1 (1966/67 data) for 34 markets for nondurum wheat
	do.	do.	Calendar year simple average quotations, vol. XV, 1968, tomo 2 (1964-67 data) for 34 markets for nondurum wheat
	do.	ISTAT, Annuario Statistico Italiano	Calendar year simple average quotations for 16 markets for nondurum wheat
2	Producer and wholesale prices, nine-market averages for nondurum wheat, eight-market averages for corn	SOEC, Agrarpreise	Monthly, calendar year, and crop year simple average quotations
	do.	ISTAT, (1) Annuario di Statistico Agrario, Introductory tables; (2) Compendio Statistico Italiano; (3) Italian Statistical Abstract; and (4) SOEC Agricultural Statistics	Crop year simple average quotations, in (1) through vol. XV, 1968, tomo 1 (1966/67 data); vol. XV, 1968, tomo 2, calendar year simple (1964-67 data)
	do.	ISTAT, Annuario di Statistica Agrario International part	Calendar year national average prices

1/ Administrative prices, such as target, threshold, and intervention prices, under the EC CAP for grains, as well as the pre-CAP Italian Government prices for compulsory wheat deliveries (ammasso), are not inventoried here.



<u>No.</u>	<u>Type of price</u>	<u>Where published</u>	<u>Remarks</u>
3	Producer prices	Notiziario ISTAT, Serie 2, Foglio 23	Weekly series, 2 weeks published in each bi- weekly issue, individual market prices
4	Wholesale prices	do.	do.
5	Trade (wholesale) prices: Milan	Il Mercato dei Cereali	Weekly maximum-minimum ranges; monthly and calendar year simple averages of midpoints
	Many markets	do.	Monthly and calendar year simple averages of midpoints
	Many markets	Il Sole-24 Ore L'Informatore Agrario	Weekly maximum quotations Weekly maximum-minimum ranges
		Giornale di Agricoltura	Weekly maximum-minimum ranges
6	Producer prices	IRVAM Informazioni, Edizione Cereali Foraggeri and Edizione Frumento e Risome	Weekly quotations, maximum-minimum ranges, individual markets
	do.	IRVAM, Nota Mensile	Monthly publication of weekly and monthly national average prices
7	Producer prices	INEA Annuario	National and Regional annual average prices of all wheat (weighted average of nondurum and durum wheat) and corn
8	Port prices	IRVAM, Nota Mensile	Monthly publication of weekly and monthly national average feed grain prices
9	Producer prices	Agra Europe, British ed.	Monthly and July-June yearly prices for northern Italy, in British currency and weight units; Agra Europe Bonn shown as source

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